

Pipeline Engineering Holdings Limited 管道工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1865

SHARE OFFER

Sole Sponsor



富強金融資本
FORTUNE FINANCIAL CAPITAL

Sole Global Coordinator



Pacific
Foundation

Joint Bookrunners and Joint Lead Managers



富強證券
FORTUNE (HK) SECURITIES



Pacific
Foundation



兴证国际
INDUSTRIAL SECURITIES INTERNATIONAL



SORRENTO
SECURITIES LIMITED
攀天證券有限公司



FRONTPAGE 富比

Co-Lead Manager

zacd
FINANCIAL

IMPORTANT

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

Pipeline Engineering Holdings Limited

管道工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Total number of Offer Shares : 230,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares : 23,000,000 Shares (subject to reallocation)
Number of Placing Shares : 207,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price : Not more than HK\$0.65 per Offer Share and not less than HK\$0.55 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 : 1865

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INDUSTRIAL SECURITIES INTERNATIONAL



SORRENTO
SECURITIES LIMITED
肇天證券有限公司



ASTRUM

FRONTPAGE 富比

Co-Lead Manager

zacd
FINANCIAL

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 and available for inspection — 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 Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 19 March 2019 or such later time as may be agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and, in any event, not later than Monday, 25 March 2019. The Offer Price will be not more than HK\$0.65 and is currently expected to be not less than HK\$0.55 unless otherwise announced. Investors applying for Offer Shares must pay, on application, the maximum indicative Offer Price of HK\$0.65 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\$0.65 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may, with the consent of our Company, 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 Public Offer. 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.pipeline-engineering-holdings.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 Public Offer.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Monday, 25 March 2019, the Share Offer will not proceed and will lapse.

Pursuant to the force majeure provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer, the Joint Lead Managers (for themselves and on behalf of the Underwriters) have the right, in certain circumstances, subject to their sole and absolute opinion, to terminate their obligations under the Public Offer 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, 27 March 2019). Such circumstances are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination".

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

No information on any website forms part of this prospectus.

14 March 2019

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.pipeline-engineering-holdings.com and the Stock Exchange at www.hkexnews.hk.

Date and time ⁽¹⁾
2019

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 Tuesday, 19 March

Application lists of the Public Offer open ⁽²⁾ 11:45 a.m. on Tuesday, 19 March

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving
electronic application instructions to HKSCC ⁽³⁾ 12:00 noon on Tuesday, 19 March

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 Tuesday, 19 March

Application lists of the Public Offer close ⁽²⁾ 12:00 noon on Tuesday, 19 March

Expected Price Determination Date ⁽⁵⁾ on or before Tuesday, 19 March

Announcement of the final Offer Price, the levels of indication of

interest in the Placing, the level of applications of
the Public Offer and the basis of allocation of
the Public Offer Shares to be published on
our Company's website at www.pipeline-engineering-holdings.com and
the website of the Stock Exchange at www.hkexnews.hk on or before Tuesday, 26 March

Results of allocations in the Public Offer

(with successful applicants' identification document numbers,
where applicable) will be available through a variety of
channels in the section headed "How to apply for the
Public Offer Shares — 11. Publication of results"
in this prospectus) on Tuesday, 26 March

Results of allocations in the Public Offer will be available

at www.tricor.com.hk/ipo/result with a "search by
ID Number/Business Registration Number" function from Tuesday, 26 March

Despatch/Collection of share certificates or deposit of

the share certificates into CCASS in respect of wholly or
partially successful applications pursuant to
the Public Offer ⁽⁷⁾ Tuesday, 26 March

EXPECTED TIMETABLE

Date and time ⁽¹⁾
2019

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⁾ Tuesday, 26 March

Despatch/collection of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer ^(6 and 7) Tuesday, 26 March

Dealings in Shares on the Stock Exchange expected to commence 9:00 a.m. on Wednesday, 27 March

Notes:

1. All times and dates refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Share Offer including its conditions, are set out in the section headed “Structure and conditions of the Share Offer”.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 19 March 2019, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for the Public Offer Shares — 10. Effect of bad weather on the opening of the application lists”.
3. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS”.
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 before Tuesday, 19 March 2019 or such later time as may be agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), and, in any event, no later than Monday, 25 March 2019. If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00p.m. on Monday, 25 March 2019, the Share Offer will not proceed and will lapse. Notwithstanding that the Offer Price may be fixed at below the maximum indicative Offer Price of HK\$0.65 per Offer Share, applicants who apply for the Offer Shares must pay on application the maximum indicative Offer Price of HK\$0.65 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 the Public Offer Shares — 13. Refund of application monies”.
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 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/

EXPECTED TIMETABLE

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.

7. Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Public Offer 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 Branch Share Registrar, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 26 March 2019. 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 Branch Share Registrar.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more Public Offer Shares under the Public Offer 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 the Public Offer Shares — 14. Despatch/collection of share certificates and refund monies".

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" 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 Share Offer 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 Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager 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 Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Share Offer.

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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.

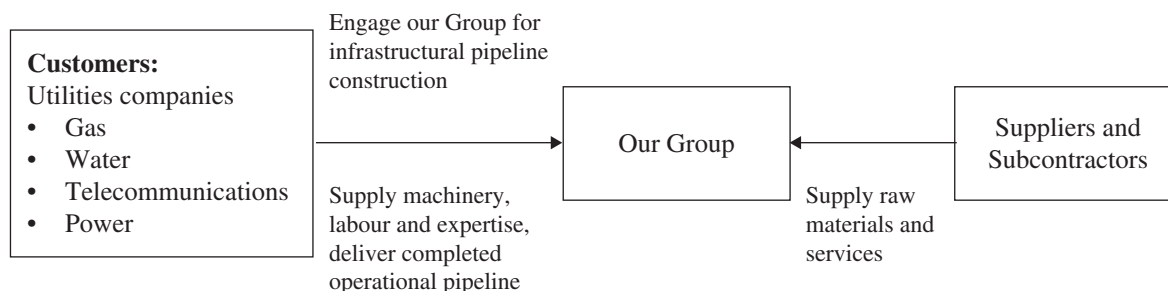
There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors”. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms”.

OVERVIEW

We are principally a main contractor specialising in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries in Singapore with over 26 years of track record. Since our inception, we have successfully completed numerous gas and water pipeline projects, as well as telecommunication cable projects for private and public utilities companies in Singapore. Our contracts are on a project basis. Our experienced Executive Directors and senior management team led by Mr. Michael Shi, have contributed to the growth of our Group over the years as we have established ourselves as an industry leader in Singapore. According to the F&S Report, we ranked third in the overall infrastructural pipeline engineering market and ranked second in the gas pipeline engineering market in Singapore in the year ended 31 March 2018 in terms of revenue.

Our strength lies in our capability in laying gas pipelines. We first involved using polyethylene pipes in laying gas distribution pipelines for industrial and residential developments and the design and laying of high pressure steel mains for GTP projects in the late 1990s at Jurong Island. We were first awarded the contract for NEWater pipeline project in Stamford Canal in 2005 as well as the district cooling pipeline project at Biopolis in 2005 in Singapore. We later ventured into our first telecommunications cable project in 2009 and secured our first power cable installation turnkey project in May 2018. Since December 2017, we participated in a solar panel installation project for the first time. Our extensive track record shows our capabilities to lay pipelines of different steering, pipe diameters or other requirements for different industries. We ensure that work is completed with as little disruption as possible, even in urban areas with high traffic flow or housing areas, in a fully safe and efficient manner. Our projects are generally awarded through a competitive tender process, either via GeBIZ by the Singapore government agencies or tenders posted on our customers’ own online portal or through invitation.

Our contracts are typically in the form of (i) turnkey contracts where we will be responsible to complete the entire project and hand it over in a fully operational form to our customers; or (ii) term contracts whereby we render services according to work orders placed by our customers during the duration of a fixed contract. We are mainly responsible for providing engineering services with necessary machinery, labour and expertise for the pipeline engineering projects under turnkey contracts or term contracts. During the Track Record Period, there had not been any change in the business focus of our Group. The following diagram illustrates our business model as at the Latest Practicable Date:



SUMMARY AND HIGHLIGHTS

During the Track Record Period, our Group had completed 18 projects in relation to the provision of infrastructural pipeline construction and related engineering services, with most of these contracts being turnkey contracts. Our revenue for the provision of infrastructural pipeline construction and related engineering services for the three years ended 31 March 2018 and the six months ended 30 September 2018 amounted to approximately S\$29.5 million, S\$28.4 million, S\$23.4 million and S\$14.1 million, respectively.

The table below sets forth our revenue by type of projects during the Track Record Period:

	For the year ended 31 March				For the six months ended 30 September			
	2016		2017		2018		2018	
	As a percentage of total revenue		As a percentage of total revenue		As a percentage of total revenue		As a percentage of total revenue	
	Revenue S\$'000	%	Revenue S\$'000	%	Revenue S\$'000	%	Revenue S\$'000	%
Gas pipeline	20,942	71.0	21,053	74.1	13,337	56.9	2,731	19.3
Water pipeline	5,675	19.2	6,116	21.5	9,066	38.7	6,374	45.1
Cable installation ^(Note)	2,885	9.8	1,239	4.4	1,016	4.4	5,036	35.6
Total	29,502	100.0	28,408	100.0	23,419	100.0	14,141	100.0

Note: Cable installation includes cable installation projects for telecommunications and power utilities companies, as well as those relating to the installation of solar panels.

Our customers comprise mainly (i) gas, water, telecommunications and power utility companies in the private sector; and (ii) Singapore government agencies such as those governing water utility and catchment in the public sector. During the Track Record Period, approximately 80% of our revenue was contributed by our private sector customers in the utilities industry, while the remaining being the Singapore government agencies. The following table sets forth a breakdown of our revenue by category of customers during the Track Record Period:

	For the year ended 31 March				For the six months ended 30 September			
	2016		2017		2018		2018	
	As a percentage of total revenue		As a percentage of total revenue		As a percentage of total revenue		As a percentage of total revenue	
	Revenue S\$'000	%	Revenue S\$'000	%	Revenue S\$'000	%	Revenue S\$'000	%
Private sector	25,208	85.4	22,954	80.8	16,372	69.9	10,308	72.9
Public sector	4,294	14.6	5,454	19.2	7,047	30.1	3,833	27.1
Total	29,502	100.0	28,408	100.0	23,419	100.0	14,141	100.0

We pride ourselves with our competitive advantage in managing and executing 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 infrastructural pipeline construction for gas, water, telecommunications and power industries. We undertake our projects in the capacity of both main contractor and subcontractor. During the Track Record Period, over 94% of our revenue was derived in our capacity acting as main contractor in infrastructural pipeline projects.

SUMMARY AND HIGHLIGHTS

As at the Latest Practicable Date, our staff force reached around 300, and we had over 50 motor vehicles and machinery such as excavators, tipper trucks, 10-footer and 14-footer lorries, butt-fusion machines and electrofusion machines, plate compactors, road cutters and jacking machines to perform various scope of works required in our projects. Our investment in machinery enables us to provide infrastructural pipeline construction and related engineering services of different scales and complexity. For the three years ended 31 March 2018 and the six months ended 30 September 2018, we acquired new motor vehicles and machinery in an aggregate amount of approximately S\$3.5 million, S\$1.0 million, S\$0.5 million and S\$2.4 million respectively. As at 30 September 2018, the net book value of our motor vehicles and machinery was approximately S\$3.3 million and S\$5.6 million respectively. See section headed “Business — Machinery and equipment” for further details.

CUSTOMERS

Our customers comprise mainly (i) gas, water, telecommunications and power utilities companies in the private sector; and (ii) Singapore government agencies such as those governing water utilities and catchment in the public sector. For the three years ended 31 March 2018 and the six months ended 30 September 2018, we had 6, 7, 9 and 9 customers with revenue contribution to us respectively. Open tenders put up by the Singapore government agencies are posted on GeBIZ while those from private sector construction companies mainly by invitation or through the online portal of our customers. For the three years ended 31 March 2018 and the six months ended 30 September 2018, revenue from our five largest customers amounted to approximately S\$29.5 million, S\$28.4 million, S\$22.4 million and S\$13.2 million, representing approximately 99.9%, 99.9%, 96.0% and 94.0% of our revenue respectively. In particular, we generated (i) approximately S\$20.9 million, S\$21.0 million, S\$13.3 million and S\$2.7 million representing approximately 71.0%, 74.0%, 57.0% and 19.3% of our revenue during the Track Record Period respectively from Customer A; and (ii) approximately S\$4.3 million, S\$5.5 million, S\$7.0 million and S\$3.8 million representing approximately 14.6%, 19.2%, 30.1% and 27.1% during the Track Record Period respectively from Customer C.

We do not consider that our business is unduly reliant on our five largest customers given that (i) the market for gas pipeline engineering services in Singapore is dominated by a few large pipeline contractor companies; (ii) some of our five largest customers such as Customer A, Customer C, Customer D and Customer B and us have a complementary relationship; (iii) we continue to diversify our customer base by establishing long-term relationship with other customers and offer new services to increase sales to other customers; (iv) in relation to Customer A, our largest customer for the Track Record Period, we are not the exclusive supplier to them and not restricted from rendering similar services to other customers; (v) our number of customers who contributed revenue increased by 50.0%, from 6 for the year ended 31 March 2016 to 9 for the year ended 31 March 2018; and (vi) our total revenue generated from Customer A decreased from approximately 71.0% for the year ended 31 March 2016 to approximately 57.0% during the year ended 31 March 2018 while our total revenue generated from Customer C increased from approximately 14.6% for the year ended 31 March 2016 to approximately 30.1% during the year ended 31 March 2018. See section headed “Business — Customers” for further details.

MAIN REGISTRATIONS AND LICENCES

Our Group is mainly registered under various construction and construction related workheads under the Contractors Registration System that is administered by the Building and Construction Authority. Out of our registered workheads, we are graded L6 under the CR07 “Cable/Pipe Laying & Road Reinstatement” workhead which allow us to tender directly for Singapore public sector projects for contracts value of an unlimited amount. As at the Latest Practicable Date, there were only 12 companies registered under the workhead CR07 (Cable/Pipe laying and road reinstatement) in the Contractors Registration System with a “L6” grade. In addition, we are also graded B2 under the CW02 “Civil Engineering” workhead which allow us to tender directly for Singapore public sector projects of up to S\$13 million. We also hold a GB1 Licence issued by the BCA which enables us to undertake contracts for general building works in both public and private sector projects whereby contract value

SUMMARY AND HIGHLIGHTS

for public sector projects will be subject to the limit set by the BCA (with no limit on contract value for private sector projects). See section headed “Regulatory overview — Business qualifications and licences” for further details.

SUPPLIERS AND SUBCONTRACTORS

Our purchases of goods from suppliers in Singapore are mainly purchases of pipes, asphalt premix, backfilling materials and diesel. For the three years ended 31 March 2018 and the six months ended 30 September 2018, purchases from our five largest suppliers amounted to approximately S\$3.2 million, S\$4.9 million, S\$2.9 million and S\$2.3 million, and accounted for approximately 14.6%, 21.7%, 18.6% and 31.5% of our total direct costs respectively. Purchases from our largest supplier for the same periods amounted to approximately S\$1.0 million, S\$2.3 million, S\$1.8 million and S\$1.3 million, and accounted for approximately 4.6%, 10.3%, 10.9% and 17.2% of our total direct costs of services respectively. See section headed “Business — Suppliers” for further details.

During the Track Record Period, we had engaged subcontractors for services such as the supply and installation of metal products, non-destructive testing, milling and patching works, and electrical works as we do not have the expertise to carry out such services in-house and such costs were taken into consideration during the tender phase of the respective projects. During the Track Record Period, the subcontracting cost accounted for approximately 33.2%, 23.8%, 15.8% and 12.0% of the cost of sales for the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively. For the three years ended 31 March 2018 and the six months ended 30 September 2018, purchases from our five largest subcontractors amounted to approximately S\$5.9 million, S\$3.8 million, S\$1.5 million and S\$0.6 million, and accounted for approximately 26.0%, 16.7%, 9.6% and 8.7% of our total direct costs respectively. Purchases from our largest subcontractor for the same period amounted to approximately S\$4.2 million, S\$2.4 million, S\$0.8 million and S\$0.2 million, and accounted for approximately 18.5%, 10.5%, 5.1% and 3.0% of our total cost of services respectively. See section headed “Business — Subcontractors” for details.

MARKETING AND PRICING

We do not have a dedicated marketing and sales team as our project opportunities were either originated from GeBIZ, the Singapore government’s one-stop e-procurement portal, tenders posted on our customers’ own online portal or tenders through invitation. We also rely on our Executive Directors and our project managers for maintenance and acquisition of existing/new customer relationships. We monitor GeBIZ or our customers’ own online portal regularly for suitable project opportunities. In addition, for private customers, we may be regularly invited to submit tenders by private customers who may be returning customers as well as our Executive Director’s business network in the private sector.

Our pricing is based on a cost plus basis having considered the cost of various overheads, labour, subcontracting and material cost. See section headed “Business — Sales and marketing” for details.

TENDER SUCCESS RATES

Our projects come mainly from two sources, namely (i) public tender opportunities published on GeBIZ; and (ii) private tenders posted on our customers’ own online portal or invitations to quote from private customers. During the Track Record Period, our success rate for public tenders was approximately 16.7%, 0%, 12.5% and 0% respectively, while our success rate for private tenders posted on customers’ portal or invitation to quote was approximately 30.8%, 42.9%, 29.4% and 50.0%, respectively. See section headed “Business — Project management and operations — Tender phase — Tender success rate” for further details.

COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the F&S Report, the overall infrastructural pipeline engineering market in Singapore was considered fragmented with an aggregate market share of approximately 20.4% for the top five market players, which represented a market value of approximately S\$202.3 million for the year ended 31 March 2018 in terms of revenue. However, the segment of gas pipeline engineering market was concentrated with an aggregated market share of approximately 42.4% for the top five market players

SUMMARY AND HIGHLIGHTS

which represented a market value of approximately S\$52.7 million for the year ended 31 March 2018 in terms of revenue. As at the Latest Practicable Date, there were 333 contractors registered under the CR07 “Cable/Pipe laying and road reinstatement” workhead and out of which, 12 contractors had a L6 grading. According to the F&S Report, we ranked third in the overall infrastructural pipeline engineering market in Singapore for the year ended 31 March 2018 in terms of revenue with an estimated market share of approximately 2.4% while we ranked second in the gas pipeline engineering market in Singapore for the year ended 31 March 2018 in terms of revenue with an estimated market share of approximately 10.7%. See section headed “Industry overview — Competitive landscape analysis” for further details.

COMPETITIVE STRENGTHS

We believe our competitive strengths are:

- (i) We are a leading infrastructural pipeline engineering contractor in Singapore with an established track record and over 26 years of experience;
- (ii) We have the capability to provide a wide range of infrastructural pipeline engineering services and solutions in a timely, reliably and profitably manner;
- (iii) We have long-term relationship with our major customers, suppliers and subcontractors; and
- (iv) We have a dedicated management and project teams with extensive experience in the infrastructural pipeline engineering industry in Singapore.

See section headed “Business — Competitive strengths” for further details.

SUMMARY OF FINANCIAL INFORMATION

The tables below summarise our combined financial information for the three years ended 31 March 2018 and the six months ended 30 September 2018 respectively, and should be read in conjunction with our financial information included in the accountant’s report set forth in Appendix I to this prospectus, including the notes thereto.

Highlight of combined statements of comprehensive income

	For the year ended 31 March			For the six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(unaudited)	
Revenue	29,502	28,408	23,419	11,908	14,141
Gross profit	7,011	5,718	7,398	3,655	3,639
Profit before income tax	4,875	3,599	5,281	2,848	495
Profit and total comprehensive income for the year/period	4,021	3,250	4,498	2,428	57

Highlight of combined statements of financial position

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets	15,016	13,376	11,854	10,815
Current assets	14,729	14,978	17,376	17,059
Current liabilities	12,330	9,180	11,709	9,698
Net current assets	2,399	5,798	5,667	7,361
Non-current liabilities	2,939	1,448	1,297	1,895
Net assets	14,476	17,726	16,224	16,281

SUMMARY AND HIGHLIGHTS

Our revenue decreased by approximately S\$5.0 million from S\$28.4 million for the year ended 31 March 2017 to S\$23.4 million for the year ended 31 March 2018 mainly due to (i) the decrease in the revenue attributable to gas pipeline projects of approximately S\$9.4 million, as we had substantially completed three gas pipeline projects namely projects #3, #5 and #6 for Customer A for the year ended 31 March 2018 (which also included the liquidated and ascertained damages for the potential damages claim amounting to approximately S\$0.3 million by way of a reduction in revenue for the year ended 31 March 2018 imposed by Customer A); and net off by (ii) the increase in revenue of approximately S\$4.0 million due to the substantial work conducted for project #14 for the year ended 31 March 2018.

Our revenue increased by approximately S\$2.2 million or approximately 18.8% from approximately S\$11.9 million for the six months ended 30 September 2017 to approximately S\$14.1 million for the six months ended 30 September 2018. The increase in revenue was mainly attributable to (i) approximately S\$4.2 million of revenue contributed by three new water pipeline projects which commenced near the year ended 31 March 2018; (ii) approximately S\$4.9 million of revenue in aggregate contributed by two new cable installation projects for the power industry and solar panels respectively in the six months ended 30 September 2018; and partially offset by (iii) the decrease of approximately S\$5.2 million of revenue from our gas pipeline projects, which was primarily attributed to four gas pipeline projects have substantially completed during the year ended 31 March 2018; and (iv) the decrease of approximately S\$1.6 million of revenue due to less revenue recognised during the six months ended 30 September 2018 as compared to that of 2017 from one water pipeline project #4.

Profit for the year

Our profit for the year decreased by approximately S\$0.8 million from approximately S\$4.0 million for the year ended 31 March 2016 to approximately S\$3.3 million for the year ended 31 March 2017 primarily due to the decrease in revenue attributable to the liquidated and ascertained damages. Our profit for the year increased by approximately S\$1.2 million from approximately S\$3.3 million for the year ended 31 March 2017 to approximately S\$4.5 million for the year ended 31 March 2018 primarily due to the increase in the gross profit of our Group. Our profit for the period decreased by approximately S\$2.4 million from approximately S\$2.4 million for the six months ended 30 September 2017 to approximately S\$57,000 for the six months ended 30 September 2018 primarily due to the increase in administrative expenses mainly attributable to approximately S\$1.9 million listing expenses incurred during the six months ended 30 September 2018.

See section headed “Financial information — Period to period comparison of results of operations” for further details.

Key financial ratios

	As at 31 March			As at
	2016	2017	2018	30 September
	<i>(times)</i>	<i>(times)</i>	<i>(times)</i>	2018
				<i>(times)</i>
Current ratio	1.2	1.6	1.5	1.8
Gearing ratio ⁽¹⁾	0.4	0.2	0.1	0.1
	For the year ended			For the six
	31 March			months ended
	2016	2017	2018	30 September
	<i>%</i>	<i>%</i>	<i>%</i>	2018
				<i>%</i>
Gross profit margin	23.8	20.1	31.6	25.7
Return on total assets	13.5	11.5	15.4	N/A
Return on equity	27.8	18.3	27.7	N/A

Note:

- (1) Gearing ratio is calculated as total borrowings (bank borrowings and finance lease obligations) divided by total equity as at the respective reporting dates

See section headed “Financial information — Key financial ratios” for further information.

SUMMARY AND HIGHLIGHTS

IMPACT OF LISTING EXPENSES ON THE FINANCIAL PERFORMANCE OF OUR GROUP FOR THE YEAR ENDING 31 MARCH 2019

During the Track Record Period, we had incurred and recognised approximately S\$1.9 million (equivalent to approximately HK\$11.1 million) listing-related expenses in the combined statements of profit and loss for the six months ended 30 September 2018. The total estimated expenses in relation to the Listing are approximately S\$6.5 million (equivalent to approximately HK\$37.3 million), of which approximately S\$3.3 million (equivalent to approximately HK\$19.0 million) is directly attributable to the issue of Offer Shares and is to be accounted for as an equity deduction upon Listing. The remaining amount of approximately S\$3.2 million (equivalent to approximately HK\$18.3 million) is expected to be charged to the profit and loss of our Group for the year ending 31 March 2019, which included approximately S\$1.9 million of listing expenses recognised for the six months ended 30 September 2018. This calculation is based on the mid-point of our indicative Offer Price of HK\$0.60 per Share. The recognition of the listing expenses is expected to materially affect our financial results for the year ending 31 March 2019. 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. See section headed “Financial information — Listing expenses” for further details.

RECENT DEVELOPMENT

We have continued to focus on strengthening our market position for our infrastructural pipeline engineering works in Singapore. As far as we are aware, our industry remained relatively stable after the Track Record Period, with 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 October 2018 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. In July 2018, Public Utilities Board and National Environment Agency announced that they will be calling tenders with a total estimate of more than S\$5 billion over the next five years for civil, mechanical and electrical engineering works for Tuas Nexus. In September 2018, Keppel DHCS Pte. Ltd. announced that it was awarded with a contract for the initial phase of a tender by JTC Corporation to design a new district cooling system plant in the upcoming Jurong Innovation District. Contingent upon approval by JTC Corporation, a final phase may then be awarded by JTC Corporation to build, own and operate the new district cooling plant on a 30 year contract term. Slated for completion by end 2021, the new district cooling system plant will provide high quality and reliable chilled water supply service to several developments in Bulim Phase 1, covering a 28-hectare area, including industrial-use buildings. Our Directors believed that, based on our past experiences, such projects may require pipe jacking machines and confirmed that we will be participating in any of the tenders being called by Keppel DHCS Pte. Ltd. when available.

As at the Latest Practicable Date, we had 17 ongoing projects. These ongoing projects have an aggregate contract sum of approximately S\$82.6 million, of which approximately S\$35.8 million had been recognised as revenue during the Track Record Period, most part of the remaining amounts of approximately S\$16.5 million and S\$30.0 million are expected to be recognised as our revenue for the two years ending 31 March 2020 respectively, while the remaining sum of approximately S\$0.3 million will be recognised after the year ending 31 March 2020. As from 1 October 2018 and up to the Latest Practicable Date, (i) we had secured two projects with a total contract value of approximately S\$5.6 million which were tendered previously; and (ii) we had submitted a total of eleven tenders for a total contract value of approximately S\$119.8 million, one of which with a contract value of approximately S\$0.2 million has been awarded, two of which with a total contract value of approximately S\$8.1 million have not been awarded, while the remaining eight tenders with a total contract value of approximately S\$111.5 million were still pending results.

Apart from the abovementioned impact of listing expenses, and based on our ongoing projects and our business operations subsequent to the Track Record Period and up to the date of this prospectus, our Executive Directors do not foresee any material adverse change in our revenue for the year ending 31 March 2019.

SUMMARY AND HIGHLIGHTS

BUSINESS STRATEGIES AND USE OF PROCEEDS

We aim to achieve sustainable growth and further strengthen our overall competitiveness and business growth in the market of infrastructural pipeline engineering in Singapore, particularly in the gas, water, telecommunications and power industries, by (i) further capitalising our niche in infrastructural pipeline engineering industry to further expand and develop our business opportunities in water pipeline and cable installation projects to grow our revenue; (ii) relocating to a new property to be acquired to be used as our new office, foreign workers dormitory and warehouse for our machineries to accommodate our expected business expansion; and (iii) purchasing additional machinery and equipment to increase the number and scale of projects for our business expansion. See section headed “Business — Business strategies” for further details.

We estimate that the aggregate net proceeds from the Share Offer after deducting underwriting commissions and estimated expenses paid and payable by us in connection with the Share Offer to be approximately HK\$100.7 million, assuming an Offer Price of HK\$0.60 per Offer Share, being the mid-point of the proposed Offer Price per Share in the range of HK\$0.55 to HK\$0.65. We intend to apply the net proceeds to implement the abovementioned business strategies as follows:

- approximately HK\$60.1 million, representing approximately 59.7% of the net proceeds from the Share Offer will be used for relocation to a new property to be acquired to be used as our office, car park and driveway, foreign worker dormitory and warehouse for our machinery with an estimated total gross floor area of at least 6,500 square metres by 30 September 2019;
- approximately HK\$31.4 million, representing approximately 31.2% of the net proceeds from the Share Offer will be used to purchase two pipe jacking machines by March 2019 to strengthen our market position in the infrastructural pipeline engineering works as our Group intends to increase the number and/or scale of projects we secure and to expand into the water pipeline and cable installation projects; and
- the remaining balance of approximately HK\$9.2 million, representing approximately 9.1% of the net proceeds from the Share Offer will be used for working capital purposes.

See section headed “Future plans and use of proceeds” for further details.

OFFERING STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.55 per Share	Based on the maximum indicative Offer Price of HK\$0.65 per Share
Market capitalisation ⁽¹⁾	HK\$506,000,000	HK\$598,000,000
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$0.201	HK\$0.224

Notes:

- (1) The calculation of the market capitalisation of our Company is based on 920,000,000 Shares in issue immediately following the completion of the Share Offer 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 net tangible assets per Share is arrived at after the adjustments set forth in Appendix II to this prospectus and on the basis that 920,000,000 Shares were in issue immediately following the completion of the Share Offer and the Capitalisation Issue 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.
- (3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 September 2018.

SUMMARY AND HIGHLIGHTS

DIVIDENDS

During the year ended 31 March 2018, dividends of S\$6.0 million were declared and paid by our Group to the then shareholders out of our distributable profits. All these dividends had been 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 the Listing. 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 pre-determined dividend payout ratio. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. See section headed “Financial information — Dividends” for further details.

RISK FACTORS

There are risks associated with any investment, and the material risks relating to our business are (i) our ability to achieve continuity of our order book; (ii) revenue from work orders of term contracts may be lower than the original contract sum; and (iii) maintenance of our existing registrations and licences. The material risks relating to our industry are (i) reduction in the pipeline of new infrastructural pipeline engineering projects; (ii) infrastructural pipeline engineering industry is highly competitive; and (iii) shortage of skilled workers in the infrastructural pipeline engineering industry in Singapore. See section headed “Risk factors” for further details.

REGULATORY NON-COMPLIANCE, LITIGATION AND CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been involved in a number of claims and litigations. As at the Latest Practicable Date, there were two ongoing employees’ compensation claims against us which will be covered by our insurance. See section headed “Business — Litigation and claims” for further details.

CONTROLLING SHAREHOLDERS

Following the completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account of any Shares that may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), APL (which is wholly-owned by Mr. Michael Shi) will hold 690,000,000 Shares, representing 75.0% of the enlarged issued share capital of our Company. See section headed “History, Reorganisation and corporate structure” for further details.

DEFINITIONS

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

“APL”	Astute Prosper Limited (敏昌有限公司), a company incorporated in the BVI with limited liability on 11 April 2018, which is wholly-owned by Mr. Michael Shi, one of our Controlling Shareholders
“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 Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company approved and adopted on 26 February 2019 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” or “Building and Construction Authority”	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
“BCISPA”	the Building and Construction Industry Security of Payment Act, Chapter 30B of the laws of Singapore
“bizSAFE”	bizSAFE is a five-step programme to assist companies 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
“Board of Directors” or “Board”	the board of Directors
“Builders Licensing Scheme”	the Builders Licensing Scheme administered by the Building and Construction Authority of Singapore, which aims to raise professionalism among builders by requiring them to meet minimum standards of management, safety record and financial solvency

DEFINITIONS

“Business Day”	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licenced banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 689,999,900 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and general information — A. Further information about our Company — 4. Written resolutions of our sole Shareholder passed on 26 February 2019” in Appendix V to this prospectus
“Companies Law” or “Cayman Islands Companies Law” or “Cayman Company Law”	the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemental or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as a custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as an investor participant(s) who may be an individual(s) or joint individual(s) or a corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Central Provident Fund” or “CPF”	Central Provident Fund of Singapore, which is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement

DEFINITIONS

“Co-Lead Manager”	ZACD Financial Group Limited
“Companies Act”	the Companies Act (Chapter 50) of Singapore as amended, supplemented 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”	Pipeline Engineering Holdings Limited (管道工程控股有限公司) (formerly known as Astute Prosper Holding Limited (敏昌控股有限公司) and Pipeline Technologies Holdings Limited (管道科技控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 17 July 2018 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 January 2019
“connected person(s)” or “core connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Contractors Registration System” or “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
“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 APL and Mr. Michael Shi
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“CR07”	one of the construction-related workheads classified under the Contractors Registration System, where the title of the CR07 workhead is “Cable/Pipe laying and road reinstatement” and it refers to installation of underground cables/pipes and the subsequent reinstatement of roads and other surfaces including detection of underground services. See section headed “Regulatory overview” for further details

DEFINITIONS

“CW02”	one of the construction-related workheads classified under the Contractors Registration System, where the title of the CW02 workhead is “Civil Engineering” and it refers to works involving, among others, concrete, drainage systems and underground structures. See section headed “Regulatory overview” for further details
“Deed of Indemnity”	the deed of indemnity dated 26 February 2019 executed by the Controlling Shareholders (as indemnifiers) in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the section headed “Statutory and general information — G. Other information — 1. Deed of Indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 26 February 2019 executed by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries) as further described in the section headed “Relationship with our Controlling Shareholders — Deed of Non-competition”
“Director(s)”	the director(s) of our Company
“electronic application instruction(s)”	instruction(s) given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Executive Director(s)”	the executive Director(s)
“F&S” or “Frost & Sullivan”	Frost & Sullivan International Limited, an Independent Third Party and an independent market research expert
“F&S Report” or “Frost & Sullivan Report”	the industry report prepared by Frost & Sullivan International Limited and commissioned by our Company, the content of which is quoted in this prospectus
“Fortune Financial” or “Sole Sponsor”	Fortune Financial Capital Limited, the sole sponsor of our Company in the Listing, a corporation licenced to carry out type 6 (advising on corporate finance) regulated activities under the SFO
“FWL”	Foreign Worker Levy, which is a pricing mechanism to regulate the number of foreign workers (including foreign domestic workers) in Singapore

DEFINITIONS

“GB1 Licence”	general builder licence(s) issued by the Building and Construction Authority under the Builders Licensing Scheme where “GB1 Licence” refers to Class 1 General Builder Licence and a builder with such a licence is allowed to undertake projects of any value. Further details of which are set forth in the section headed “Regulatory overview”
“GeBIZ”	the Singapore Government’s one-stop e-procurement portal where all public sector’s invitations for quotations and tenders are posted by individual Singapore Government agencies
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“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 and Development Board of Singapore
“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 Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form Service Provider 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
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of our Company

DEFINITIONS

“HSC Pipeline Engineering”	HSC Pipeline Engineering Pte Ltd (formerly known as Hup Seng Choon Contractor Pte Ltd until 1 June 2000), a private company limited by shares incorporated in Singapore on 13 January 1993, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards promulgated by International Accounting Standards Board, IFRS includes IAS and interpretation
“Independent Non-Executive Director(s)”	our independent non-executive Director(s)
“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with any of our 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
“ISO 9001:2015”	a quality management system standard that is based on a number of quality management principles including customer focus, engagement of people at all levels throughout the organisation, the process approach and continual improvement
“ISO 14001:2015”	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
“Issue Mandate”	the general unconditional mandate given to our Board by the sole Shareholder relating to allot, issue and deal with Shares, a summary of which is contained in the section headed “Statutory and general information — A. Further information about our Company — 4. Written resolutions of our sole Shareholder passed on 26 February 2019” in Appendix V to this prospectus
“IVL”	Integral Virtue Limited (合瑜有限公司), a company incorporated in the BVI with limited liability on 10 July 2018, which is a direct wholly-owned subsidiary of our Company
“Joint Bookrunners” or “Joint Lead Managers”	Fortune (HK) Securities Limited, China Industrial Securities International Capital Limited, Pacific Foundation Securities Limited, Sorrento Securities Limited, Astrum Capital Management Limited and Frontpage Capital Limited

DEFINITIONS

“Latest Practicable Date”	4 March 2019, 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 our Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about Wednesday, 27 March 2019, on which our Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“LTA”	the Land Transport Authority of Singapore, responsible for planning, operating, and maintaining Singapore’s land transport infrastructure and systems
“Main Board”	the main board of the Stock Exchange
“ME10”	one of the construction-related workheads classified under the Contractors Registration System, where the title of the ME10 workhead is “Line Plant Cabling/Wiring for Telecommunications” and it refers to the laying of underground telecommunication cables services. See section headed “Regulatory overview” for further details
“ME11”	one of the construction-related workheads classified under the Contractors Registration System, where the title of the ME11 workhead is “Mechanical Engineering” and it refers to the installation, commissioning, maintenance and repair of mechanical plant, machinery and systems, and includes the installation and maintenance of power generation and turbine systems. See section headed “Regulatory overview” for further details
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company approved and adopted on 26 February 2019 with immediate effect, as supplemented, amended or otherwise modified from time to time, a summary of which is contained in Appendix IV to this prospectus
“mm”	millimetre

DEFINITIONS

“MOM”	the Ministry of Manpower of Singapore
“Mr. Michael Shi”	Mr. Michael Shi Guan Wah, whose former name was Shi Guan Wah, our co-founder, an Executive Director, a Controlling Shareholder, the brother of Mr. Shi Guan Lee and the father of Mr. Shane Shi
“Mr. Shane Shi”	Mr. Shi Hong Sheng, an Executive Director and a son of Mr. Michael Shi
“NParks”	National Parks Board of Singapore
“NEA”	the National Environment Agency of Singapore
“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, pursuant to the Share Offer, which will not be more than HK\$0.65 and is currently expected to be not less than HK\$0.55, to be agreed upon by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	together, the Public Offer Shares and the Placing Shares
“OHSAS 18001”	an international standard setting out requirements for an occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters), at their sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 34,500,000 additional Shares, representing 15.0% of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover over-allocations in the Placing 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 Placing Underwriting Agreement
“Placing”	the conditional placing of the Placing Shares at the Offer Price by the Placing Underwriters for and on behalf of our Company, subject to reallocation, together where relevant, with any additional shares that may be issued pursuant to any exercise of the Over-allotment Option, as further described under the section headed “Structure and conditions of the Share Offer”

DEFINITIONS

“Placing Shares”	207,000,000 Shares initially offered by our Company for subscription at the Offer Price under the Placing, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to reallocation, as described under the section headed “Structure and conditions of the Share Offer”
“Placing Underwriter(s)”	the underwriter(s) of the Placing who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by our Company, our Controlling Shareholders, our Executive Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Placing Underwriter(s), particulars of which are summarised in the section headed “Underwriting”
“PRC” or “China”	People’s Republic of China, which for the purpose of this prospectus, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Price Determination Agreement”	the agreement expected to be entered into by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date to record and fix the final Offer Price
“Price Determination Date”	the date, expected to be on or around Tuesday, 19 March 2019 but, in any event, no later than Monday, 25 March 2019, on which the final Offer Price will be determined for the purpose of the Share Offer
“Principal Share Registrar”	Conyers Trust Company (Cayman) Limited, the Cayman Islands share registrar of our Company
“Public Offer”	the issue and offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (subject to the terms and conditions described in this prospectus and the Application Forms)
“Public Offer Shares”	the 23,000,000 Shares (subject to reallocation) initially being offered by our Company for subscription at the Offer Price under the Public Offer, as described in the section headed “Structure and conditions of the Share Offer”
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in the section headed “Underwriting — Public Offer Underwriters”

DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 13 March 2019 relating to the Public Offer entered into by our Company, our Controlling Shareholders, our Executive Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Public Offer Underwriter(s), as further described under the section headed “Underwriting”
“Reorganisation”	the restructuring of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation”
“Repurchase Mandate”	the general unconditional mandate given to our Board by the sole Shareholder relating to the repurchase of Shares, a summary of which is contained in the section headed “Statutory and general information — A. Further information about our Company — 4. Written resolutions of our sole Shareholder passed on 26 February 2019” in Appendix V to this prospectus
“S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“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 Offer”	together, the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by the sole Shareholder on 26 February 2019, the principal terms of which are summarised in the section headed “Statutory and general information — F. Share Option Scheme” in Appendix V to this prospectus
“Singapore Government”	the government of Singapore
“Sole Global Coordinator”	Pacific Foundation Securities Limited
“sq.m.”	square metre
“Stabilising Manager”	Pacific Foundation Securities Limited

DEFINITIONS

“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager and APL
“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
“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 March 2018 and the six months ended 30 September 2018
“Trading Day”	a day on which trading of the Shares takes place on the Stock Exchange
“Underwriters”	together, the Public Offer Underwriter(s) and the Placing Underwriter(s)
“Underwriting Agreements”	together, the Public Offer Underwriting Agreement and the Placing 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 Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“workhead(s)”	work category(ies) as sub-classified under the seven major categories of registration under the Contractors Registration System in Singapore; further details of which are set forth in the section headed “Regulatory overview”
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

Unless otherwise stated, the conversion of S\$ into HK\$ in this prospectus is based on the approximate exchange rate of S\$1.00 to HK\$5.75.

DEFINITIONS

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.

“backfilling”	refill an excavated hole with the approved material
“culvert”	a structure that allows water to flow under a road, railroad, trail, or similar obstruction from one side to the other side
“gas transmission pipeline” or “GTP”	an interconnected system of high pressure gas pipelines including but not limited to their supports, isolation valves, all integrated piping components, associated safety systems and the corrosion protection systems
“pipe-jacking”	method for installing jacking pipes that serves as initial construction lining and excavation support, installed for stability and safety during construction. The pipe is shoved forward (or jacket) as the excavation is advanced. Generally guided by a laser and most often used for undercrossing existing canals and drains where open trenching is not viable
“polyethylene pipe”	a thermoplastic pipe made from material that can be melted and reformed. It is rugged, flexible and durable and has outstanding chemical and environmental stress crack resistance and able to withstand pressure
“PVC”	polyvinyl chloride, which is a plastic material
“RC”	reinforced concrete
“sewerage”	a drain or pipe, especially one that is underground, used to carry away surface water or sewerage
“utilities”	refers to all underground services such as water mains, sewer, gas mains, power cables, telecommunication lines, etc.
“variation order(s)”	such additional works, omissions or changes requested by the customer for specifications not included in the original contract
“welding”	a fabrication or sculptural process that joins materials, usually metals or thermoplastics, by causing fusion, which is distinct from lower temperature metal-joining techniques such as brazing and soldering, which do not melt the base metal

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”, “Financial information” and “Future plans and use of proceeds”, which are, by their nature, subject to risks and uncertainties. These forward-looking statements include, without limitation, statements relating to our business objectives, strategies and plan of operation, our capital expenditure plans, financial sources, the amount and nature of, and potential for, future development of our business, our operations and business prospects, our dividend payment, the regulatory environment of our industry in general, future development in our industry, and general economic and political trends in Singapore.

In some cases, we use the words “aim”, “anticipate”, “believe”, “can”, “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, business 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 our ability to retain senior management team members and recruit qualified and experience employees;
- 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;

FORWARD-LOOKING STATEMENTS

- 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;
- 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 Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, any other party involved in the Share Offer 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

You should consider carefully all the information set out in this prospectus and including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that the legal and regulatory environment in Singapore may differ in some respects from that prevailing in other countries. The occurrence of any of the following events could harm us and our Group's business, financial condition or results of operations could be materially and adversely affected by any of these risks and uncertainties. If these events occur, the trading price of the Shares could decline and you may lose all or part of your investment.

RISK RELATING TO OUR BUSINESS

Inability to achieve continuity of our order book for new projects, given non-recurring nature of our projects that require competitive tendering, could materially affect our financial performance

Our contracts are on a non-recurring and project basis. The duration for our completed projects during the Track Record Period range from five months to 49 months. As our projects are not recurring in nature, we cannot guarantee that we will continue to secure new projects of similar value and volume from our customers after completion of the existing awarded projects. Further, our contracts are generally awarded through a competitive tendering process. Our tender success rates were approximately 16.7%, 0%, 12.5% and 0% for public tenders and approximately 30.8%, 42.9%, 29.4% and 50.0% for private tenders posted on customers' portal or invitation to quote for the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively. In the event that we are unable to maintain business relationship with existing customers, secure new customers or contracts or similar number and value of projects or maintain our tender success rate, our revenue will be adversely affected.

In addition, so far as our Executive Directors are aware, our customers will evaluate their contractors based on their past performance, financial capability, pricing, licences, certifications and reputation. If we receive a poor evaluation for a previous project, it may affect our future tender success rate. There is no assurance that we will be evaluated favourably by our customers or that we will be invited to tender/quote. If we fail to secure new projects of similar or higher value or similar number of projects on a continual basis, our financial performance will be adversely affected.

If our secured projects are cancelled or if there is a delay in commencement of our secured projects due to factors such as poor market conditions, changes in our customers' businesses or lack of funds on the part of our customers or the project owners, our financial position may be adversely affected. In addition, cancellation or delay of projects could lead to idle or excess capacity, and in the event that we are unable to secure replacement projects on a timely basis, this may adversely affect our business operations and financial conditions.

A substantial amount of our revenue is derived from sales to Customer A and any decrease or loss of business with Customer A could materially and adversely affect our business, financial condition and results of operations

For the three years ended 31 March 2018 and the six months ended 30 September 2018, we provided infrastructural pipeline construction and related engineering services of various scopes to Customer A, which is engaged in the business of transportation of piped gas in Singapore. Customer A is a wholly-owned subsidiary of a leading energy utilities company in Singapore, which in turn is owned

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by a global investment company established and headquartered in Singapore to own and commercially manage investments and assets previously held by the Singapore government. Our business relationship with Customer A dates back to 1996. See section headed “Business — Customers” for further information on our business relationship with Customer A. For the three years ended 31 March 2018 and the six months ended 30 September 2018, our aggregate revenue derived from sales to Customer A amounted to approximately 71.0%, 74.0%, 57.0% and 19.3%, respectively. Although the percentage of revenue generated from Customer A contributed to majority of our revenue during the Track Record Period and we expect to continue to derive a significant amount of our revenue from Customer A in the foreseeable future, we continue to diversify our customer base and offer new range of services. For example, in May 2018, we secured a tender for cable installation for a company engaged in the business of provision of services in connection with the transmission and distribution of electricity, in order to diversify our services and reduce customer concentration. We will also continue to offer new services to attract additional sales to our customers, including customers other than Customer A.

There is no guarantee that we will continue to be able to provide products and services to Customer A or to continue our business relationship with Customer A. If we fail to secure further contract from Customer A for any reason, and we are unable to secure contracts from other customers on comparable terms, or increase our sales to other customers, or to implement our strategy, or at all, our business, financial condition and results of operations could be materially and adversely affected.

Revenue from work orders may be lower than the original contract sum

Some of our contracts for infrastructural pipeline construction and related engineering services are term contracts whereby the revenue is based on work orders in a fixed contract duration. For these contracts, the original contract sum is only an indication and does not represent the actual revenue which can be recognised. There is also no minimum work order commitment from our customers. During the Track Record Period, we completed five term contracts each with a contract value of S\$3.0 million or above with the aggregate original indicative contract value of approximately S\$24.4 million whereby we recognised an aggregate revenue of approximately S\$21.0 million. As at 30 September 2018, our Group has six ongoing term contracts for infrastructural pipeline construction and related engineering services each with a contract value of S\$3.0 million or above with an aggregate indicative contract value of approximately S\$39.3 million out of which approximately S\$12.9 million has been recognised as revenue. There is no assurance that the actual revenue to be recognised for our ongoing term contracts will be equal or higher than the original indicative contracted sum.

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

We are regulated by the BCA and various other regulatory bodies. These regulatory bodies stipulate the criteria that must be satisfied before registrations and licences are granted to, and/or renewed and/or maintained for, our business. The maintenance and renewal of our registrations and licences are subject to compliance with the relevant regulations. In particular, we are registered with the BCA under grade L6 of the CR07 (Cable/Pipe laying and road reinstatement) workhead which allows us to tender for pipeline engineering projects in the public sector in Singapore of unlimited values, and we also hold a GB1 Licence granted under the Builders Licensing Scheme, which allows us to undertake general building contracts of any value in Singapore. Our customers may also stipulate the required grade under the CR07 workhead in their tender documents. Moreover, the grades under the workhead

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also reflect the profile of a contractor (which potential customers may consider during tender invitation and/or tender evaluation) as certain requirements laid down by the BCA are to be complied with to obtain the relevant grades. Such requirements laid down by the BCA may change from time to time, and there is no assurance that we will be able to meet the changing requirements and maintain and/or renew our registrations and licences.

Our registrations and licences may be downgraded, suspended or cancelled if we fail to comply with the applicable requirements. Delay or refusal may also occur when renewing such registrations and licences upon expiry. Given that most of our contracts are from the Singapore government agencies, our ability to renew and maintain our licences and registrations are crucial to our business operations. Failure to renew or maintain our construction and construction-related workheads gradings may reduce the number of project opportunities that we can tender for, and have an adverse impact on our operations and financial performance. Failure to keep or renew our existing construction and construction-related 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, financial results and prospects. See section headed “Business — Main registrations and licences” for further details.

Our five largest customers contributed over 93% of our revenue during the Track Record Period and any significant decrease in projects secured from any one of them may affect our operations and financial results

Our largest customer accounted for approximately 71.0%, 74.0%, 57.0% and 27.1%, of our revenue, and our five largest customers accounted for approximately 99.9%, 99.9%, 96.0% and 94.0% of our revenue for the three years ended 31 March 2018 and the six months ended 30 September 2018 respectively. As all our contracts are secured through a competitive tendering process, there is no assurance that these customers will continue to engage us at fees and/or terms acceptable to our Group in the future. Further, for customers who are Singapore government agencies, contracts are awarded via an open tendering process. There is no assurance that we will continue to secure contracts from the Singapore government agencies or maintain our tender success rates. In the event we are unable to secure new projects from our five largest customers or secure replacement customers, our operations, financial results and liquidity may be adversely affected.

Inability to complete our projects on a timely basis could materially affect our financial performance, reputation or subject us to claims

Our revenue for pipeline engineering services and solutions is recognised based on the percentage of completion method, and billing is based on approved monthly progress claims. Any 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 regardless of such delay 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 materials, delays by subcontractors or adverse weather. 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, financial performance and operational cash flows could be materially affected.

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Moreover, other than liquidated damages, we may also have to bear additional costs as our customers have discretion to engage other contractors as they deem fit, to avoid or minimise further delay. We will have to bear the aforementioned costs, with administrative charges. In addition, to minimise further delay, we are also obliged to incur overtime man hours and the related labour costs at our own expense. In such circumstances, our financial performance and operations will be adversely affected.

Fluctuations in construction materials prices such as pipes, asphalt premix, backfilling materials and diesel may adversely affect our profit margins

During the Track Record Period, the principal construction materials used by our Group include pipes, asphalt premix, backfilling materials and diesel. For the three years ended 31 March 2018 and the six months ended 30 September 2018, such materials together represent approximately 23.4%, 30.5%, 25.6% and 35.0% of our total cost of sales. Based on the F&S Report, prices for the main raw materials in the pipeline engineering industry such as quarry dust and graded stone experienced a downtrend, representing a CAGR of -3.4% and -1.9% respectively, which was mainly attributable to their oversupply while import price of polyethylene pipe and steel pipe grew at a CAGR of 14.6% and 11.2% from 2013 to 2017. In addition, import price of petroleum oil demonstrated a downtrend during 2013 and 2017 with the price decreasing from approximately US\$0.81 per kilogramme in 2013 to approximately US\$0.39 per kilogramme, which was mainly attributed to the fluctuation of global economic environment. See section headed “Industry overview — Singapore pipeline engineering market overview — Cost analysis — Raw materials” for further details. There is no assurance that the prices for such raw materials will continue to decline in the future. Volatility in the cost of these materials makes it more challenging to manage pricing and for us to pass on the increases to our customers in a timely manner given that our contract price has been fixed. As a result, our gross profit and margins could be adversely affected.

Our revenue may fluctuate due to variation orders and thus affect our results of operations

Variation orders refer to additional works, omissions or changes requested by the customer for specifications not included in the original contract. Variation orders are typically unanticipated, as they may occur due to additional work scope required during or near completion of a project, or due to changes of project specifications as required by the property owner (to our customer, the main contractor). Additional value of these variation orders agreed by the customer may cause our revenue to fluctuate across financial periods, and in turn affect our results of operations and operating cash flows.

We are exposed to our customers’ credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full

Our Group’s pipeline engineering works contracts normally require our customers to make progress payments on a monthly basis or based on the stages of our works. Once our Group has submitted a bill, our customers or the consultant or architect appointed by our customers will certify the amount of work done. Our trade receivables amounted to approximately S\$4.6 million, S\$4.0 million, S\$4.8 million and S\$2.7 million as at 31 March 2016, 2017 and 2018 and 30 September 2018, respectively. For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, our trade receivables turnover days were approximately 39 days, 51 days, 53 days and 39 days respectively. No allowance for

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trade receivables has been made during the Track Record Period. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions.

Approximately 80.3% of our workforce is made up of foreign employees and inability to recruit and/or retain foreign labour could materially affect our operations and financial performance

Our business is highly dependent on foreign workers as the local construction labour force is of limited supply and more costly. As at the Latest Practicable Date, approximately 80.3% of our workforce is made up of foreign employees (including site workers and other employees). Any shortage in the supply of foreign workers, increase in FWL for foreign workers, or restriction on the number of foreign workers that we can employ will adversely affect our operations and financial performance. The supply of foreign labour in Singapore is subject to the policies and regulations imposed by the MOM.

The MOM imposes a quota on the number of foreign workers that the main contractor and its subcontractors can employ in respect of each construction project or based on the number of locals (Singapore citizens and permanent residents) our Group hires. Depending on the requirements of our projects or number of local employees, the tightening of such quota on the number of foreign workers that the main contractors and their subcontractors can employ could affect our operations and accordingly our business and financial performance. 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 in turn 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 had increased from S\$650 to S\$700 from 1 July 2017. Any increase in FWL in the future will increase our operating expenses and will affect our financial performance.

In addition, with increasing demand of foreign labour, especially skilled labour, we cannot assure that we can continue to attract foreign workers at the current level of wages or our current foreign workers will continue to be employed by us. Any increase in competition for foreign workers, especially skilled workers, outside of Singapore, will also increase our labour wages. Consequently, if we are unable to pass on the increase in labour costs to our customers, our financial performance will be adversely affected.

Inability to accurately estimate our project costs and cost overruns will affect our profitability and our financial performance

Our contracts (other than term contracts) with our customers typically have a fixed and pre-determined fee throughout the contract period and do not permit any price adjustment. See section headed "Business — Project management and operations — Tender phase" for further details of our pricing considerations during tender. Except in instances of variation orders initiated by our customers, unilateral adjustments to the contract price or scope of works on our own are not accepted. Accordingly, we generally have to bear the risk of cost fluctuations. Further, the duration for our completed pipeline engineering works projects during the Track Record Period range from five months to 49 months. Therefore, cost management is critical particularly for contracts with long duration as the risk of inaccurate estimation of costs generally increases with the duration of the project. Cost overrun may result from inaccurate estimation of costs, unanticipated increase in cost of materials and wages of workers, changes in regulatory requirements, disputes with suppliers and subcontractors, labour disputes

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as well as accidents and unforeseeable delay. Sometimes, customers may impose additional safety requirements after the award of contracts which require us to comply (such as the need to install CCTV or safety gloves) but which costs are not allowed to be claimed by us from the customers. Should we be unable to control our costs within our original estimates, or we are unable to fully cover the increases in costs during the project, our business operations, financial results and profitability will be adversely affected.

Our main purchases are pipes and fittings, and we purchase these from various local trading companies. We typically do not place orders for the required pipe quantities to our suppliers upon award of contract by our customers to us. This is to retain flexibility as the required pipe quantities may change upon finalisation of the shop drawings, or the prices of the pipes may drop. However, there is no assurance that material costs will not increase in the course of our project. Additionally, additional labour costs may also be incurred if the project is delayed. Furthermore, we may not have accurately assessed all the required materials and the timing for their delivery and any material costs that we have not considered in our tender proposal will adversely affect the budgeted profitability of the projects.

Other situations such as accidents or stop work orders imposed on the projects that we are involved in or at the request by our customers, changes in regulatory requirements, labour disputes as well as delays and other unforeseen problems will not only affect our project costs, but also causing idling manpower. During the Track Record Period, we had on an incident accumulated 200 or more demerit points for over a period of 30 days during 16 February 2016 to 15 May 2016 despite earlier warnings against the continued defaults of the Street Works (Works on Public Streets) Regulations. We had been issued with a suspension notice by the LTA pursuant to section 10 of the Code of Practice for Works on Public Street issued under Regulation 12 of the Street Works (Works on Public Streets) Regulations, from carrying out any new works for a period of three months with effect from 16 February 2016. See section headed “Business — Legal compliance” for further details. The risk of inaccurate estimation of costs generally increases with the duration of a project. Should we be unable to control our costs within our original estimates, or we are unable to fully cover the increases in costs during the project, our business operations, financial results and profitability will be adversely affected.

Risks related to the intended relocation to a new office, warehouse and dormitory premises

As at the Latest Practicable Date, we were operating at our 36, Sungei Kadut Avenue, Singapore 729661 premises, which lease term will expire on 31 October 2020, in which event the property will be reverted back to JTC Corporation. We intend to use approximately 59.7% of the net proceeds from the Share Offer to acquire a new property to be used as our office, warehouse and dormitory in place of the existing office premises upon the expiry of the existing lease term. See section headed “Business-Business strategies — (iii) Relocate to a new property to be acquired to be used as our new office, foreign worker dormitory and warehouse for our machinery to accommodate our expected business expansion” of this prospectus.

We intend to acquire and move into the new property around October 2020. A delay in the renovation of the new premises due to factors beyond our control such as a shortage of construction workers and delays by contractors and subcontractors, will affect our operations and financial performance. We are also subject to risks associated with non-performance, late performance or poor performance by our contractors and subcontractors. Any delay in moving into the new premises will cause disruption to our existing operations. We expect that we will require at least seven days to move

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our office and all machineries stored at our 36, Sungei Kadut Avenue, Singapore 729661 premises to the new office, warehouse and dormitory facility. While we will continue our operations at our existing premises at 36, Sungei Kadut Avenue, Singapore 729661 premises during such period of moving, there is no assurance that there will be no delays in our moving due to unforeseen circumstances. In the event that there is any delay in the construction and renovation of the new premises which caused a delay in our relocation and yet at the same time we are required to surrender our existing premises to JTC Corporation, we intend to rely on third party facilities during the period of construction. See section headed “Future plans and use of proceeds — Use of proceeds — Net proceeds” for more information on the costs of acquisition of new office, warehouse and dormitory premises.

Cost overruns in our construction and renovation will affect our costs and materially affect our financial performance. While we will obtain certain quotations from contractors and subcontractors and carry out internal costing and budgeting estimates of labour costs, we may have to bear cost fluctuations in the event that adjustments are required to the construction plan or changes in specifications are required to be made.

In connection with the expansion of our office, warehouse and dormitory premises, we intend to invest in more machinery as well as hire new employees to enhance our workforce to keep up with our expanding operations. Even if we are able to expand the capacity of our warehouse facility and increase our equipment, vehicles and staff, there is no assurance that the economic benefits of such expansion will materialise.

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

Revenue from some of our ongoing contracts may be recognised across financial years, depending on the percentage of completion of each contract. The revenue and profitability of different contracts vary and should more works be performed in a certain financial year, that particular financial year will record better short-term results. Similarly, our revenue and profitability during a certain period of the financial year may also not be indicative of the financial results for other months of the financial year. Therefore, there is no assurance that our short-term results of operations will be indicative of our long-term results of operations.

Inability to attract and retain members of our management staff will adversely affect our operations and financial performance

We rely on our Executive Directors and senior management for key aspects of our business including overall strategic direction of the business, acquisition and maintenance of new/existing customer relationships, evaluation of tender and pricing strategy, management of our business operations, project management to ensure that our workers are deployed across projects efficiently and an open attitude towards adoption of new construction technologies applicable for the infrastructural pipeline engineering industry. Each of our Executive Directors have been with us for over seven years and are supported by a team of experienced management and project personnel. Our Group’s success and growth therefore depends on our ability to identify, hire, train and retain suitable, skilled and qualified key personnel. If any of our senior management and project 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

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 30.8%, 42.9%, 29.4% and 50.0% from private tenders posted on customers' portal or invitation to quote while approximately 16.7%, 0%, 12.5% and 0% from public tenders for the three years ended 31 March 2018 and the six months ended 30 September 2018, 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.

Inability of our suppliers and subcontractors to fulfil their contractual obligations or their poor quality of works could materially affect our financial performance, reputation or may be subject us to claims

Our five largest suppliers accounted for approximately 14.6%, 21.7%, 18.6%, and 31.5% of our total costs of sales for the three years ended 31 March 2018 and the six months ended 30 September 2018 respectively. Our five largest subcontractors accounted for approximately 26.0%, 16.7%, 9.6% and 8.7% of our total cost of sales for the three years ended 31 March 2018 and the six months ended 30 September 2018 respectively. We do not sign any long-term contracts with our suppliers and subcontractors, but make our purchases based on the requirements of individual projects. As such, there is no assurance that they will be able to continue to provide us with supplies and services at prices acceptable to us for future projects. In the event that any of the major suppliers and subcontractors is unable to provide the required supplies and services at prices acceptable to our Group for future projects and we are unable to obtain alternative providers on similar or more favourable terms to us in a timely manner, our business, financial performance and liquidity may be adversely affected.

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 their non-performance, late performance or poor performance. As a result, we may experience deterioration in the quality of our works, incur additional costs, or be exposed to liability in relation to the performance of subcontractors, which will adversely impact 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, financial performance and prospects could be materially and adversely affected. See the abovementioned risk factor “Inability to complete our projects on a timely basis could materially affect our financial performance, reputation or subject us to claims”.

Our business strategies include capital investment which would increase depreciation charges, impact our financial position and/or reduce our profitability

Our business strategies and use of proceeds include (i) the relocation to a new property to be acquired to be used as our new office, foreign worker dormitory and warehouse for our machinery to accommodate our expected business expansion; and (ii) the purchase of machinery and equipment to increase the number and scale of projects for our business expansion. The total capital expenditures are estimated to be approximately HK\$121.1 million (including approximately HK\$88.0 million of the property purchase price and renovation costs and approximately HK\$33.1 million for the purchase of two pipe jack fairy machines) and the additional depreciation charges are expected to be approximately S\$1.2 million for each of the two years ending 31 March 2020, which may adversely affect our Group’s financial performance. Our use of proceeds for the acquisition of the abovementioned property as well as the machinery and equipment may have a negative impact on our financial performance due to the additional depreciation charges. Owning a property carries certain risks, including but not limited to, the increase in depreciation costs and possible decrease in property value. Depreciation expense for this new property including renovation is estimated to be approximately S\$0.7 million per annum for 5 years commencing from the year ending 31 March 2021 and approximately S\$0.6 million per annum for 20 years commencing from the year ending 31 March 2026. We may also face any fluctuation in the costs for new vehicle certificate of entitlement or renewing existing vehicle certificate of entitlement for the purchase of trucks and other vehicles.

We are required by our customers 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 to take our performance bonds at a fixed sum or 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 is guaranteed the compensation for monetary loss up to the amount of the performance bonds.

As at 30 September 2018, we had performance bonds in our ordinary course of business with utilised amount of approximately S\$7.3 million. The amount paid up for the performance bonds may be locked up for a prolonged period of time, depending on the contract period. Furthermore, we cannot guarantee that we will not undertake projects which have performance bonds or banker’s guarantees requirements in the future, and should we fail to satisfactorily complete our contracted works, the amount paid up for the performance bonds may not be released to us, which may adversely affect our cash flows and financial position.

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Our operations may subject us to litigation, claims or other disputes

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 from customers may involve defective work products, sub-standard works, unfinished work or delays in the completion of contracts or breach of warranties which may result in us incurring liquidated damages under the terms of our contracts with our customers. We may also encounter claims from public authorities or third parties for casualties, property damages under the laws of Singapore. As at the Latest Practicable Date, we were in discussion with Customer A for an extension of time for six incidents that occurred that may potentially lead to a claim for liquidated damages against us in the total amount of approximately S\$2.8 million due to late delivery in completing a GTP project if an extension of time is not granted. See section headed “Business — Litigation” 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 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 our subcontractors’ employees suffered while engaged in our projects. See section headed “Business — Regulations relating to employment and safety” for further details.

During the Track Record Period and up to the Latest Practicable Date, there were eight incidents involving our employees which resulted in employees’ compensation claims. Out of the seven incidents, there were six settled employees’ compensation claims of which the total amount settled were approximately S\$178,000 and was fully covered by our insurance or insurance procured by our customers as part of their main contractors’ all risk insurance. All these claims were in relation to personal injuries of employees. Furthermore, all of these claims were covered by our insurance or insurance that our customers procured in their capacity as the main contractor for the construction project. As at the Latest Practicable Date, there were two outstanding employees’ compensation claims against us of which the quantum of such claims has yet to be ascertained. See section headed “Business — Litigation and claims — Employees’ compensation claims” for details of the employees’ compensation claims during the Track Record Period.

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We may be subject to adjudication proceedings under the BCISPA

To protect the rights of construction industry participants, the BCISPA is enacted to assure any person who has carried out any construction work or supplied any goods or services under a contract is entitled to a progress payment within a designated time period. Our trade payables turnover days were approximately 49 days, 56 days, 53 days and 35 days for the three years ended 31 March 2018 and the six months ended 30 September 2018 respectively, which were longer than the payment terms as stipulated under the BCISPA. Our suppliers and subcontractors will be entitled to make an adjudication application in relation to the relevant payment claims when they fail to receive payment by the due date. See section headed “Regulatory overview” for details of the BCISPA. Of the amount of trade payables as at 31 January 2019, there were 562 invoices with total values of approximately S\$1.3 million due to 100 suppliers and subcontractors that may qualify for adjudication application under the BCISPA as at the Latest Practicable Date. Should there be any adjudication proceedings commenced against us, we will need to expend time and costs, and may adversely affect our reputation, relationships with the parties involved and adversely affect our liquidity and financial performance.

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

Our future plan set out under the section headed “Future plans and use of proceeds” has been prepared after due enquiry by reference to, among other matters, the expected future prospects of the infrastructural pipeline engineering 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, the threat of substitutes and new market entrants. 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.

Prospective investors should note that the increase in cost as a result of the Listing and the additional investment in property and machinery as contemplated under the future plans of our Group may outweigh the increase in revenue in the short run, which in turn, have an adverse impact on our financial performance.

Our insurance coverage may be insufficient to cover all losses or potential claims and insurance premiums may increase

We have purchased contractors’ all risks insurance for our projects which we are the main contractor, and the required policies for our staff, such as work injury compensation and medical policies. We also purchased industrial all risks insurance to cover property damage and loss of profit due to business interruption, annual public liability to cover accidental death and damage to property, machinery all risks insurance to cover losses of certain equipment and motor vehicles insurance policies. See section headed “Business — Insurance” for further details of our insurance policies as at the Latest Practicable Date. 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, including risks mentioned in this section such as our ability to obtain new contracts, collection of our trade and retention receivables and to

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maintain our registrations and licenses. 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. Moreover, insurance covering losses from acts of war, terrorism, or natural catastrophes is either unavailable or cost prohibitive.

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, financial performance and prospects.

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 traffic accidents at the work sites or damage to public infrastructure. During the Track Record Period, we had not experienced any fatal accident involving our worker but we had been involved in one incident which caused accidental damage of insulation skin of low voltage cables at the work sites during excavation which had been referred to the Energy Market Authority of Singapore for decision. We had reimbursed our customer the relevant costs of repair, which were an immaterial amount. As advised by our legal adviser as to Singapore laws, the maximum penalty which may be imposed on our Group upon conviction for the incident is a fine not exceeding S\$10,000, imprisonment not exceeding three years or both. Up to the Latest Practicable Date, our Group (i) had not received any further correspondences from the relevant customer; (ii) had not received any correspondences from any relevant authorities; (iii) is currently not under any investigation by the relevant customer; (iv) did not receive any claims or penalties from the relevant customer, other than the reimbursement of costs of repairs; (v) did not receive any fines or notice of intention to press charges from relevant authorities; and (vi) was not subject to any liquidated ascertained damages. We cannot predict the actions that might be taken by the Energy Market Authority of Singapore against us nor assure you that such accidents will not occur in the future. In addition, our employees will also have to work with machinery and equipment that are required to be handled appropriately. Thus, we are exposed to risks related to such activities, such as equipment failure and industrial accidents. 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 may disrupt our business and damage our reputation, which may also affect the validity of our relevant registrations, business operations and financial performance. Our insurance coverage may be insufficient, and it may not be possible to obtain adequate insurance (or any insurance at all) to cover certain risks on commercially reasonable terms.

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Cessation of government grants or schemes may adversely affect our financial performance

Singapore government provided various grants and schemes to encourage business organisations to improve productivity and raise employability of older Singaporeans. See section headed “Regulatory overview — Government grants” for further details on MechC Scheme and Quieter Construction Fund. Our effective tax rate was lower than the statutory tax rate for the three years ended 31 March 2018 and the six months ended 30 September 2018 mainly due to enhanced tax allowances and exemptions in Singapore. See section headed “Financial information — Principal components of combined statements of comprehensive income — Income tax expense” for further details. In addition, we also received government grants for the three years ended 31 March 2018 and the six months ended 30 September 2018 under the MechC Scheme and Quieter Construction Fund. See section headed “Financial information — Principal components of combined statements of comprehensive income — Other income” for further details. Should the Singapore government do not extend or provide similar grants or schemes after the expiry of the existing government grants or schemes, our financial performance may be affected as we will be required to pay more tax.

We have not registered our intellectual property rights, and any allegations that we have infringed third parties’ intellectual property rights could have an adverse effect on our business, financial condition and results of operations

As at the Latest Practicable Date, there are no applicable intangible properties for our operations and we have not registered any intellectual property rights in the jurisdiction in which we operate. There is no assurance that we will be able to adequately guard against future infringement of our trademarks or that others will not challenge our rights in, or ownership of these trademarks. If we infringe or are alleged to infringe a third party’s intellectual property rights, we may be required to defend an infringement action. The defence and prosecution of intellectual property actions and related administrative proceedings can be costly and time consuming, with unpredictable outcomes, and may divert the attention, efforts and resources of our Directors and senior management and hence could have an adverse effect on our business and results of operations.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

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

We are highly dependent on the pipeline of new infrastructural pipeline engineering projects involving gas, water, telecommunications and power industries. Such projects are in part affected by the general economic conditions, construction industry, and government initiatives and spending, all of which are beyond our control. A reduction in new projects will result in more intense competition in tenders as we may face increased competition, along with the need to be more competitive in our pricing. This will adversely affect our business, financial performance, prospects and liquidity.

The infrastructural pipeline engineering industry which we operate in is highly competitive

The pipeline engineering industry in which we operate in is competitive, and some of our competitors may have more manpower, resources, higher gradings in various construction and construction-related workheads or a stronger track record in terms of the size and/or complexity of the projects undertaken. As at the Latest Practicable Date, there were 333 contractors registered under the

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CR07 “Cable/Pipe laying and road reinstatement” workhead and out of which, 12 contractors had a L6 grading. There is no assurance that there will not be an increase in the number of pipeline engineering contractors, or an increase in the number of pipeline engineering contractors who are able to obtain at least a L6 grading under CR07 “Cable/Pipe laying and road reinstatement” workhead, or pipeline engineering contractors who have developed significant expertise and track record for building development projects of a similar scale as our track record. Furthermore, in recent years, Singapore had attracted many international builders to enter the building construction industry. We may also face competition from these builders who may venture into pipeline related projects which specify CW02 “Civil engineering” and/or CR07 “Cable/Pipe laying and road reinstatement” as the required workheads when the opportunities in building construction industry projects diminish.

Should we face increased competition or if we cannot adapt effectively to market conditions, industry developments, customer preferences and/or competitive environment, our Group and our tender proposals may not be competitive and our tender success rates, our revenue and our profitability will 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 safety control standards, quality control and technical proposal. If we cannot attract their services or are unable to compete in such other areas, our business, financial condition, financial performance and prospects may be materially and adversely affected.

A cyclical fluctuation in the Singapore market, in particularly the infrastructural pipeline engineering 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 recession in Singapore economy, outbreak of an epidemic in Singapore and any other incidents in Singapore may adversely affect our business, financial position, financial performance and prospects. A downturn in the Singapore infrastructural pipeline engineering industry is likely to have an adverse impact on our business and profitability due to the possibility of postponement, delay or cancellation of infrastructural pipeline engineering projects and delay in the recovery of receivables.

There is a shortage of skilled workers in the pipeline engineering 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

Man-Year Entitlement (“MYE”) is a work permit allocation system for employment of construction workers from the PRC and the non-traditional source countries such as India, Sri Lanka, Thailand, Bangladesh, Myanmar and Philippines. MYE represents the total number of work permit holders a main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners. The allocation of MYE is in the form of the number of “man-years” required to complete a project and only main contractors may apply for MYE. One man-year is equivalent to one year’s employment under a work permit. 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

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extended. There is no assurance that the MOM will not decrease the MYE for civil engineering projects, in which event, we will not be able to maintain a sufficient labour force necessary for us to execute our projects.

In addition, according to the F&S Report, one of the challenges to the civil engineering industry (being directly affected by the construction industry) in Singapore is the shortage of skilled workers, which is attributable to factors such as the Singapore Government's policy measures restricting foreign manpower hiring and the transient employment nature of the construction industry. 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 works. We cannot assure you that we will be able to maintain a sufficient labour force necessary for us to execute our projects, 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 financial performance and inhibit our future growth and business expansion plans.

Changes in regulatory requirements in Singapore may affect our operating costs and profitability

Before we can commence work on our infrastructural pipeline engineering projects, we may need to obtain the relevant permits from certain utilities companies such as electricity, water, gas, telecommunications and sewerage. We are therefore subject to the requirements imposed by these utilities companies as they may impose certain requirements or fees for processing our applications for their permits. We may be required to comply with new fees and regulations imposed by them from time to time, which might not be included in our original estimated costs which may lead to cost overrun.

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. If any of these events occurs, it may adversely affect our reputation, business, financial condition and financial performance. 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.

Further, as explained in the above risk factors on foreign workers, 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 had increased from S\$650 to S\$700 from 1 July 2017. There is no assurance that increases in our operating costs to comply with regulatory changes will not affect our project profitability as the competitive environment or other factors may not allow us to fully recover all the additional costs. Should this occur, our financial performance will be adversely affected.

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RISKS RELATING TO THE SHARE OFFER

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

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

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

- 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 construction and civil engineering industry;
- changes in Singapore Government spending;
- changes in pricing made by us or our competitors;
- fluctuations in market prices and trading volume of our Shares;
- involvement in litigation; and
- general economic environment and other factors.

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

Termination of the Underwriting Agreements

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Joint Lead Managers (for themselves and on behalf of the Underwriters) giving written notice to our Company upon the occurrence of any of the events stated in the section headed “Underwriting — Grounds for termination” 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,

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earthquake, strike or lock-out. Should the Joint Lead Managers (for themselves and on behalf of the Underwriters) exercises its rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

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

Future issues of our Shares by our Company or the disposals of our Shares by any of our Shareholders or the perception that such issues or sales may occur, may negatively impact the prevailing market price of our Shares. We cannot give any assurance that such events will not occur in the future.

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

Investors may not enjoy the same shareholders' rights as the laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located

Our Company is incorporated in the Cayman Islands and our affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands Companies Law on protection of minority shareholders is set out in the section headed "Summary of the constitution of our Company and Cayman Company Law — 3. Cayman Islands Companies Law" in Appendix IV to this prospectus.

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 Share Offer (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 75.0% 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 our Company 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.

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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 our 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 our Shares outstanding after such issue.

Under the IFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to our 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.

Proceeds from the Share Offer may be subject to foreign exchange risk

Our principal place of business is in Singapore with our sales and purchases are mainly denominated in Singapore dollars, while the proceeds from the Share Offer will be denominated in HK dollars. Further, the presentation currency of our Group's financial statements is in Singapore dollars. During the Track Record Period, the foreign exchange rate of S\$ and HK\$ had fluctuated from S\$1.00 to HK\$5.40 to S\$1.00 to HK\$5.98. As such, we may be exposed to fluctuations in the exchange rate and any unfavourable fluctuation against our Group may adversely affect the underlying value of our proceeds from the Share Offer and the financial performance of our Group.

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 Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, 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 possible 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 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.

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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 Share Offer

There may be press and media coverage regarding us or the Share Offer, 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. See section headed “Forward-looking statements” in this prospectus for further details.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are located in Singapore and will continue to be based in Singapore, our Executive Directors and senior management members are and will continue to be based in Singapore. At present, none of our Executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and have obtained, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Michael Shi, an Executive Director and Mr. Hwang Hau-zen Basil, the company secretary of our Company. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorised representative is not based at the registered office), facsimile number, if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorised representatives has been duly authorised to communicate on our behalf with the Stock Exchange. All of them have confirmed that they possess valid travel documents to Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;
- (b) Our authorised representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, our Company has implemented a policy whereby (a) each Director will provide his office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorised representatives; (b) each Director will provide valid phone numbers or means of communication to the authorised representatives when he travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange;
- (c) Our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Fortune Financial as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) Meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or our Company's compliance adviser, or directly with our Directors within a reasonable period. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and compliance adviser; and
- (e) Each Director who is not ordinarily resident in Hong Kong has confirmed that he has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period upon request.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (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 Lead Managers and the Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from Thursday, 14 March 2019 to Tuesday, 19 March 2019 (both dates inclusive).

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriter(s), any of their respective directors, officers, agents, employees or advisers or any other party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Share Offer, including its conditions and grounds for determination, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for the Public Offer Shares” and on the relevant Application Forms.

FULLY UNDERWRITTEN

The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer of 23,000,000 Shares under the Public Offer (subject to reallocation) and 207,000,000 Shares under the Placing (subject to reallocation and the Over-allotment Option), in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed “Structure and conditions of the Share Offer”. This prospectus is published solely in connection with the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Listing is sponsored by Fortune Financial. The Share Offer is fully underwritten by the Underwriter(s) under the terms of the Underwriting Agreements, on a conditional basis. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Lead Managers (for themselves and on behalf of the Underwriter(s)), and our Company. The Share Offer is managed by the Joint Lead Managers and the Co-Lead Manager.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriter(s)) on or before the Price Determination Date, the Share Offer will not proceed and will lapse. See the section headed “Underwriting” for further details on the Underwriter(s) and the Underwriting Agreement(s).

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, 19 March 2019 or such later date as may be agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, but in any event no later than 5:00 p.m. on Monday, 25 March 2019. The Offer Price will be not more than HK\$0.65 per Offer Share and is currently expected to be not less than HK\$0.55 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.65 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\$0.65 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company, 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 Public Offer. 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.pipeline-engineering-holdings.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 Public Offer. If an application for the Offer Shares has been submitted before the day which is the last day for lodging applications under the Public Offer, such application is not allowed to be subsequently withdrawn. However, if the number of the Offer Shares and/or the Offer Price range is reduced, applicants 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, for any reason, the Offer Price is not agreed among our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) at or before 5:00 p.m. on Monday, 25 March 2019, the Share Offer will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALES OF THE OFFER SHARES

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and the related Application Forms may not be used for the purpose of, and do not constitute, an offer or invitation, nor are they 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 Application Forms, 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 jurisdictions.

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 Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

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 and other applicable provisions of the SFA, including Section 309B of the SFA read together with the Securities and Futures (Capital Market Products) Regulations 2018 of Singapore.

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 Share Offer (including the additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No part of our Shares 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 230,000,000 Offer Shares, which represent 25% of the enlarged issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

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, under contingent situation, 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 of or dealings in the Shares. It is emphasised that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, any of their respective directors, agents or advisers or any other party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription, purchase, holding, disposal or dealings in Shares, or the exercise of any rights in relation to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on our Company's branch share register to be maintained in Hong Kong by the Hong Kong Branch 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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

members in Hong Kong will be subject to Hong Kong stamp duty. See section headed “Statutory and general information — G. Other information — 10. Taxation of holders of Shares” in Appendix V to this prospectus for further details about Hong Kong stamp duty.

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.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out under the section headed “How to apply for the Public Offer Shares” and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out under the section headed “Structure and conditions of the Share Offer”.

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 Share Offer”.

STOCK BORROWING ARRANGEMENT

Details of the stock borrowing arrangement are set out in the section headed “Structure and conditions of the Share Offer”.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 27 March 2019, it is expected that the dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 27 March 2019. The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares will be 1865.

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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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\$5.75

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 or at all.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Michael Shi Guan Wah (徐源華)	45 Jalan Jarak Singapore 809204	Singaporean
Mr. Shi Guan Lee (徐源利)	28 Yio Chu Kang Road #04-06 Singapore 545678	Singaporean
Mr. Shi Hong Sheng (Xu Hongsheng) (徐鴻勝)	Apartment Block 336A Anchorvale Crescent #15-22 Singapore 541336	Singaporean
<i>Independent Non-Executive Directors</i>		
Mr. Cher Choong Kiak (徐俊傑)	Apartment Block 7 Tanjong Pagar Plaza #10-103 Singapore 081007	Singaporean
Mr. Chiam Soon Chian (Zhan Shunquan) (詹舜全)	Apartment Block 11 Toh Yi Drive #11-371 Singapore 590011	Singaporean
Mr. Choo Chih Chien Benjamin (朱志乾)	93 Bukit Drive #01-28 Singapore 587844	Singaporean

Further information of our Directors can be found in the section headed “Directors and senior management”.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Fortune Financial Capital Limited

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

43rd Floor, COSCO Tower

183 Queen's Road Central

Hong Kong

Sole Global Coordinator

Pacific Foundation Securities Limited

A corporation licensed to carry out type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO

11/F, New World Tower II

16–18 Queen's Road Central

Hong Kong

Joint Bookrunners and Joint Lead Managers

Fortune (HK) Securities Limited

A corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO

43/F, COSCO Tower

183 Queen's Road Central

Hong Kong

Pacific Foundation Securities Limited

A corporation licensed to carry out type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO

11/F, New World Tower II

16–18 Queen's Road Central

Hong Kong

China Industrial Securities International 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

7/F, Three Exchange Square

8 Connaught Place

Central

Hong Kong

Sorrento Securities Limited

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

11/F, The Wellington

198 Wellington Street

Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Astrum Capital Management Limited

A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Room 2704, Tower 1

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

Frontpage 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

26/F, Siu On Centre

188 Lockhart Road

Wanchai

Hong Kong

Co-Lead Manager

ZACD Financial Group Limited

A corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Unit 2029, Level 20, Infinitus Plaza

199 Des Voeux Road Central

Sheung Wan, Hong Kong

Legal advisers to our Company

As to Hong Kong laws

Robertsons

Solicitors, Hong Kong

57th Floor, The Center

99 Queen's Road Central

Hong Kong

As to Singapore laws

Opal Lawyers LLC

Solicitors, Singapore

20 Collyer Quay

#23-01

Singapore 049319

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<i>As to Cayman Islands laws</i> Conyers Dill & Pearman <i>Cayman Islands, attorneys-at-laws</i> Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Underwriters	<i>As to Hong Kong laws</i> Howse Williams <i>Solicitors, Hong Kong</i> 27th Floor, Alexandra House 18 Chater Road Central Hong Kong
Auditor and reporting accountant	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor, Prince's Building Central Hong Kong
Independent industry consultant	Frost & Sullivan International Limited 1706, One Exchange Square 8 Connaught Place Central, Hong Kong
Internal control consultant	Baker Tilly Consultancy (Singapore) Pte Ltd 600 North Bridge Road, #05-01 Parkview Square Singapore 188778
Independent property valuer	Jones Lang LaSalle Property Consultants Pte Ltd 9 Raffles Place #39-00 Republic Plaza Singapore 048619
Receiving bank	DBS Bank (Hong Kong) Limited 11th Floor, The Center 99 Queen's Road 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 registered under Part 16 of the Companies Ordinance	Suite 3708, Tower Two Lippo Centre, 89 Queensway, Admiralty Hong Kong
Headquarters and principal place of business in Singapore	36 Sungei Kadut Avenue Singapore 729661
Company secretary	Mr. Hwang Hau-zen Basil <i>Solicitor, Hong Kong</i> Suite 3708, Tower Two Lippo Centre 89 Queensway, Admiralty Hong Kong
Authorised representatives	Mr. Michael Shi Guan Wah 45 Jalan Jarak Singapore 809204 Mr. Hwang Hau-zen Basil <i>Solicitor, Hong Kong</i> Suite 3708, Tower Two Lippo Centre 89 Queensway, Admiralty Hong Kong
Audit committee	Mr. Chiam Soon Chian (Zhan Shunquan) (<i>Chairman</i>) Mr. Cher Choong Kiak Mr. Choo Chih Chien Benjamin
Remuneration committee	Mr. Cher Choong Kiak (<i>Chairman</i>) Mr. Shi Hong Sheng (Xu Hongsheng) Mr. Chiam Soon Chian (Zhan Shunquan)
Nomination committee	Mr. Choo Chih Chien Benjamin (<i>Chairman</i>) Mr. Chiam Soon Chian (Zhan Shunquan) Mr. Michael Shi Guan Wah

CORPORATE INFORMATION

Compliance adviser

Fortune Financial Capital Limited

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

43rd Floor, COSCO Tower

183 Queen's Road Central

Hong Kong

Principal Share Registrar and transfer office

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Hong Kong Branch Share Registrar and transfer office

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Principal bankers

DBS Bank Ltd

900 South Woodlands Drive

#02-01 Woodlands Civic Centre

Singapore 730900

Malayan Banking Berhad

2 Battery Road

Maybank Tower

Singapore 049907

Hong Leong Finance Limited

16 Raffles Quay, #01-05

Hong Leong Building

Singapore 048581

Company website

www.pipeline-engineering-holdings.com

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

INDUSTRY OVERVIEW

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriter, or any of their affiliates or advisers, nor any other party involved in the Share Offer and no representation is given as to its accuracy. The Directors believe after taking reasonable care, that there have been no material adverse changes in the market information since the date of issue of the F&S Report which maybe qualify, contradict or have an impact on the information in this section.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the pipeline engineering market in Singapore for the period from 2013 to 2022. We paid Frost & Sullivan a fee of HK\$400,000, which we believe reflects market rates for reports of this type.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the pipeline engineering market in Singapore for the prospective investors. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the pipeline engineering market in Singapore. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period from 2018 to 2022. In addition, Frost & Sullivan has developed its forecast on the bases and assumptions that the pipeline engineering market in Singapore is expected to grow based on the key industry drivers including favourable government policies.

ABOUT FROST & SULLIVAN

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has three offices in the PRC and direct access to the knowledgeable experts and market participants in the construction market.

DIRECTOR'S CONFIRMATION

Our Directors have confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

SINGAPORE CIVIL ENGINEERING MARKET OVERVIEW

Definition and classification

Generally, civil engineering works refer to a series of works conducted for the construction and maintenance of infrastructure, such as roads, buildings, airports, dams, bridges, and systems for utilities including water, power and so forth. Designing, supervision and operation of projects are covered in civil engineering works.

According to the Singapore Department of Statistics, civil engineering projects in Singapore can be classified into three categories: roads and railway projects, utility projects and other civil engineering projects.

Utility projects refer to the construction projects where design, construction, repair and maintenance of utility facilities are included. In particular, pipeline engineering works can be further segmented based on different specific end-applications. Utility projects can be classified into four categories: pipelines, reservoirs, power plants and pump stations.

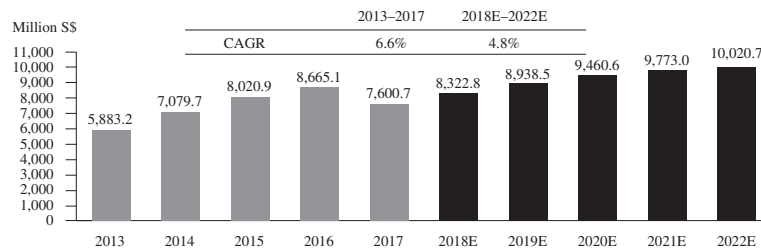
INDUSTRY OVERVIEW

Market size analysis

Market size of civil engineering market by certified progress payment

From 2013 to 2017, market size of civil engineering market in terms of certified progress payment in Singapore increased from approximately S\$5,883.2 million to S\$7,600.7 million at a CAGR of 6.6%, mainly driven by the new infrastructure projects, including the new building of state's court, Changi Airport and National Cancer Center. Sustained by on-going large infrastructures projects, the civil engineering market in Singapore is expected to experience further growth. From 2018 to 2022, the certified progress payment of civil engineering market is anticipated to increase steadily at a CAGR of 4.8%, reaching S\$10,020.7 million in 2022.

Market size of civil engineering market by certified progress payment (Singapore), 2013–2022E



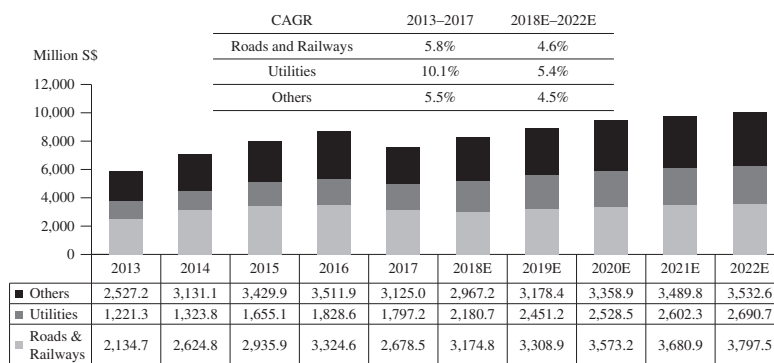
Source: Building and Construction Authority, Frost & Sullivan

Market size breakdown of civil engineering market by certified progress payment

The certified progress payment of civil engineering in the sector of roads and railways increased from S\$2,134.7 million in 2013 to S\$2,678.5 million in 2017, representing a CAGR of 5.8%. The certified progress payment of civil engineering in the sector of roads and railways took up a share of 35.2% in the total certified progress payment in 2017. The certified progress payment of civil engineering in the sector of utilities witnessed a growth from S\$1,221.3 million in 2013 to S\$1,797.2 million in 2017, representing a CAGR of 10.1% from 2013 to 2017.

In the forecasting period, the civil engineering in the sector of roads and railways is likely to maintain the steady growth, with the certified progress payment reaching S\$3,797.5 million by the end of 2022, representing a CAGR of 4.6% during the period from 2018 to 2022, which is attributed to the expansion plan of railway networks by the Singapore government in the near future. In 2022, the certified progress payment of civil engineering in the sector of utilities is projected to increase to S\$2,690.7 million, representing a CAGR of 5.4% from 2018 to 2022.

Market size breakdown of civil engineering market by certified progress payment (Singapore), 2013–2022E



Source: Building and Construction Authority, Frost & Sullivan

Market drivers

- Increase in population

Along with the increase in population and urbanisation in Singapore, there is a rising demand for the construction of infrastructure. The population of Singapore reached 5,612.0 thousand in 2017, and is expected to maintain the steady expansion growth in the future. To enhance and improve the city's

INDUSTRY OVERVIEW

connectivity and quality of life for citizens, Singapore government has put emphasis on the planning and construction of civil engineering projects. The high level of urbanisation will also stimulate the demand for civil engineering projects as dense population in the cities requires for more proper planned road network as well as improved drainage system. The increase in the overall population tends to keep driving the demand for civil engineering projects, which creates more opportunities for the development of the market.

- *Growing demand for construction projects*

To enhance the competitive advantages of Singapore in terms of infrastructural development and to release the pressure of the enlarging population, there is a rising trend of contract value awarded by Singapore government especially in the field of civil engineering. Such projects include Changi Airport, Cross Island Line and Kranji Road. In addition, the construction of buildings such as public housing and healthcare center will also bring demand for civil engineering works including drainage and installation of telecommunication and power system, thus to drive the further expansion of civil engineering market in Singapore.

Future trends

- *Public sector will continue drive the market*

According to the Building Construction Authority, the demand for civil engineering projects from the public sector in terms of awarded contract value grew from S\$5,514.1 million in 2013 to S\$8,223.3 million in 2017. The public sector took about 60% of total civil engineering market in Singapore. Supported by the government's planning and funding, there is an upward trend on the awarded contract value of public civil engineering projects including land expansion and railway network. The government has awarded some larger civil engineering projects including Downtown Line Stage 3 MRT works and Mechanical and Electrical (M&E) works for various rail lines. Due to the slump of private property market, the demand for civil engineering projects witnessed a decrease from S\$1,426.9 million in 2013 to S\$1,057.6 million in 2017 and is anticipated to continue decrease in the future. Therefore, the public sector will continue drive the development of civil engineering market in the future.

- *Increase in demand for roads and drainage works*

Awarded contract value for roads and drainage works accounted for approximately 50% of total civil engineering market in Singapore in 2017 and the share is expected to grow due to the increasing demand for this sector. According to the Singapore Department of Statistics, the length of drains, canals and channels was about 8,000 kilometers in 2017, which brings demand for drainage works including construction, repair and maintenance of underground drainage system. In the meantime, the needs for road construction and road maintenance would be on the rise to meet the requirements of mobility resulted from increasing population in Singapore. Roads works will play a significant role to meet the transportation demand and release traffic pressure. Along with the increasing demand for roads and drainage works, the civil engineering market in Singapore will expand with roads and drainage works taking larger shares.

SINGAPORE PIPELINE ENGINEERING MARKET OVERVIEW

Introduction

Pipeline engineering refers to a series of works that covers design, procurement, installation and laying, testing and commissioning of new pipes as well as repair and maintenance, inspection, and rehabilitation of existing pipes and other auxiliary services and works such as construction of shafts, off-take stations, and so forth. A series of technologies are usually adopted in the process of pipeline engineering projects, including cold bending, pipe jacking, hot tapping, mechanised welding and so on.

Generally, pipeline engineering works can be segmented based on specific end-applications, which include water and sewerage pipelines, gas pipelines, communication and power cables and so forth. Materials of pipes cover concrete, steel, polyethylene, PVC and composites, up to different types of pipe medium.

Infrastructural projects refer to a series of activities that are initiated and implemented with the purpose to improve public facilities. As mentioned above, as a significant sector of the civil engineering market, utility engineering comprises a series of infrastructural projects which mainly involve pipeline engineering projects and other construction works. Thus, the pipeline engineering market can be classified into infrastructural sector and non-infrastructural sector. The infrastructural sector belongs to the utility engineering market and the non-infrastructural pipeline engineering projects include those pipe paying works that are usually undertaken inside buildings.

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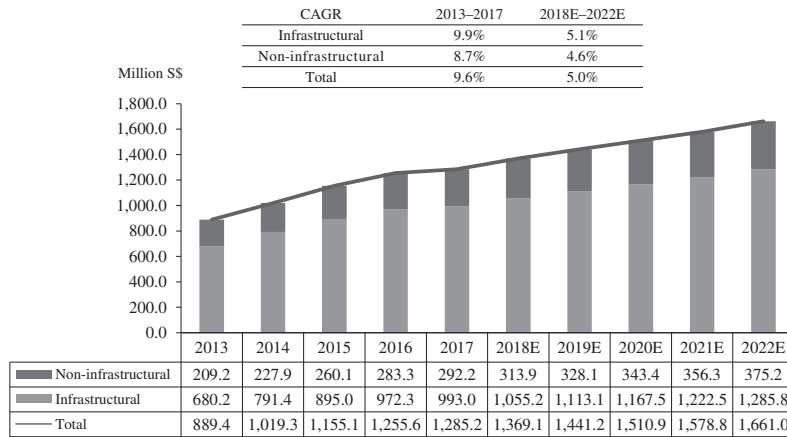
Market size analysis

Market size breakdown of pipeline engineering market

With the positive policy and increasing demand in the entire civil engineering market, the total market size of Singapore pipeline engineering market has experienced a stable growth trend accordingly, from approximately S\$889.4 million in 2013 to approximately S\$1,285.2 million in 2017 at a CAGR of 9.6% where the infrastructural sector achieved notable growth, growing at a CAGR of 9.9% over the same period. The continuous growth was mainly attributable to the demand for the expansion coverage of the entire water supply system and gas supply system in Singapore.

Upheld by the sustained demand for maintenance works of existing pipes along with the construction of new pipes to serve future residential, commercial and industrial developments in the east, including Changi Airport and Tampines North New Town, the market size of the pipeline engineering market is expected to demonstrate an uptrend, reaching approximately S\$1,661.0 million in 2022. Meanwhile, as significant part of the utility engineering, the infrastructural sector will maintain the growth momentum in the future, demonstrating a CAGR of 5.1% in terms of market size from 2018 to 2022.

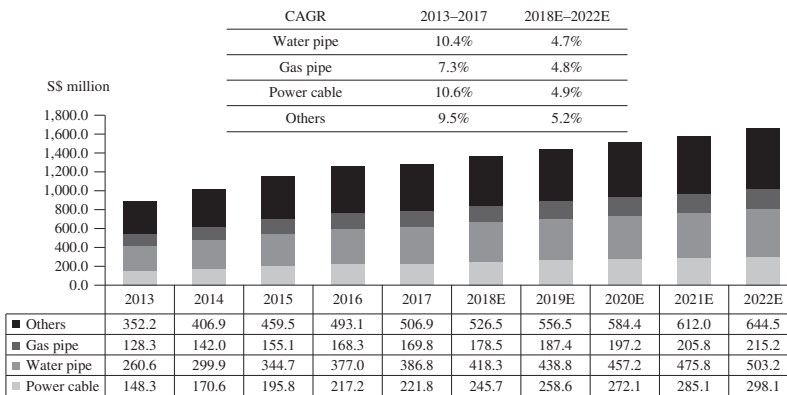
Market size breakdown of pipeline engineering market by certified progress payment (Singapore), 2013–2022E



Source: Building and Construction Authority, Frost & Sullivan

The market of the overall pipeline engineering market could be further segmented into different sectors based on specific applications and functions. Certified progress payment of the water pipes sector increased from S\$260.6 million in 2013 to S\$386.8 million in 2017, representing a CAGR of 10.4%, sustained by the official support to constantly improve the water supply system in Singapore. The sector of gas pipes realised a CAGR of 7.3% from 2013 to 2017 and is expected to maintain such stable development trend in the future. The power cable sector increased at a CAGR of 10.6% from 2013 to 2017 as driven by the continuous demand for electricity and communication. Others mainly comprise certified progress payment from sewerage and others reached S\$506.9 million in 2017 and is estimated to grow at a CAGR of 5.2% over the period from 2018 to 2022, driven by the expansion of sewerage system that tends to create opportunities for pipeline engineering service providers.

Market size breakdown of pipeline engineering market by certified progress payment (Singapore), 2013–2022E



Source: Building and Construction Authority, Frost & Sullivan

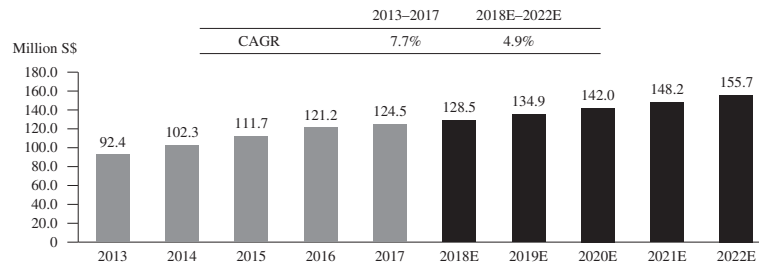
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Market size breakdown of infrastructural pipeline engineering market

The market of the infrastructural pipeline engineering market in the sector of gas pipeline increased from S\$92.4 million in 2013 to S\$124.5 million in 2017, representing a CAGR of 7.7% as sustained by the continuous expansion of gas pipeline network in Singapore.

It is expected that the sector of the gas pipeline will keep growing and reach approximately S\$155.7 million in 2022 with the government's efforts to construct new gas pipes to meet growing demand from residential, industrial and commercial sectors.

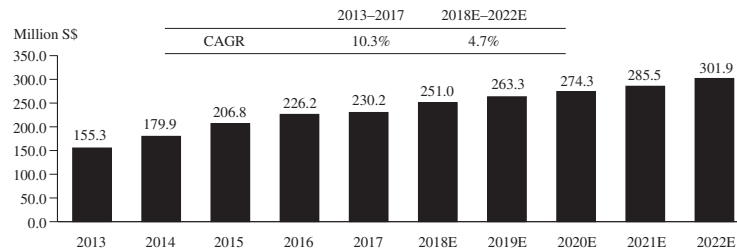
Market size of infrastructural pipeline engineering market by certified progress payment in the segment of gas pipe (Singapore), 2013–2022E



Source: Building and Construction Authority, Frost & Sullivan

Certified progress payment generated by the segment of water pipe in the infrastructural pipeline engineering market increased from S\$155.3 million to S\$230.2 million over the period from 2013 to 2017, representing a CAGR of 10.3%. The sustained growth was mainly attributable to a series of projects initiated by public department such as Public Utilities Board with the efforts to keep the water system in Singapore to operate properly. It is expected that market size of the infrastructural pipeline engineering market in the segment of water pipe will increase to S\$301.9 million in 2022 as upheld by the official department's target to realise greater water operation efficiencies.

Market size of infrastructural pipeline engineering market by certified progress payment in the segment of water pipe (Singapore), 2013–2022E



Source: Building and Construction Authority, Frost & Sullivan

Market drivers

The water pipe and sewerage, gas pipe and power cable market are expected to be driven by the following market drivers, opportunities and trends:

- *Continuous demand for residential buildings*

The market of residential buildings in Singapore has experienced a stable growth in terms of sales over the past period with the number of units sold growing from 7,389 units in 2016 to 8,967 units in 2017, representing a year-over-year growth of 21.5%. The rising domestic demand for residential buildings and properties indicates that there exists a huge demand for pipeline related works as water and gas have to be transmitted to households to guarantee people's daily life, which drives the market of the pipeline engineering in Singapore.

- *A series of expected construction projects*

According to the Construction Prospects 2018 issued by the Building and Construction Authority, a series of construction projects are in the pipeline in 2018 in Singapore, displaying a sustained construction demand in the near future. For example, major projects such as the construction of Woodlands Integrated Health Campus in the institutional sector, construction of rail systems in the civil

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engineering sector and other commercial buildings and residential properties are all estimated to be commenced in 2018, which thus exerts corresponding effect on the pipeline engineering market in Singapore as pipeline installation is an inseparable part of the overall construction works.

- *Expansion of sewerage system*

Singapore government has been attaching great significance to the entire sewerage system in Singapore to ensure a friendly living environment for people. In order to further optimise the urban sewerage treatment capacity, the construction of the second phase of deep tunnel system was commenced in 2017 that aims to create a network of 40 kilometres of deep tunnels and 60 kilometres of link sewers. The project contributed to the collection and transportation of used water to water reclamation plants for treatment, which demonstrates huge demands for the involvement of pipeline related works and services in particular sewer works, thus accelerating the pipeline engineering market correspondingly.

- *Expansion of gas pipeline networks*

Currently, there exist two separate gas pipeline networks in Singapore with one for town gas that is used for cooking and heating for residential and commercial consumers and the other is for natural gas that is for industrial use, both of which are concentrated in the west of Singapore. In order to cater for growing needs from the east, the gas pipeline is planned to be extended to further improve the gas transmission network in Singapore, which therefore prompts the development of the pipeline engineering market in Singapore.

- *Upward consumption of electricity*

The increasing population in Singapore lead to an upward trend of electricity consumption. According to the statistics released by the Energy Market Authority, the highest electricity consumption in Singapore in 2017 reached 7,000 MW and the maximum electricity consumption is expected to grow at a rate ranging from 2% to 3% per year. The substantial consumption of electricity put higher requirements on the stability of power supply, thus stimulating the demand for more state monitoring and regular maintenance works. In addition, the newly developed buildings create more opportunities for power cable engineering projects, therefore further driving the development of the power cable engineering market in Singapore.

- *Increasing demand for renewal of old power system*

Currently, a number of old power cable lines in Singapore are reaching its useful life and requiring renewal works. The average useful life of power cable lines is approximately 30 years and the oldest power cable line was constructed in 1980s. The old power cable lines are obliged to more frequent maintenance and monitoring works to ensure the stable power supply. Along with the increasing demand for renewal of old power system, the Singapore power cable engineering market is expected to grow in the future.

Demand analysis of sewers in Singapore

Over decades, the Singapore Government has been making great endeavour to establish a highly effective water cycle system to ensure the smooth recycle and adequate supply of water nationwide. The DTSS (Deep Tunnel Sewerage System) in Singapore, a complete water cycle where rain water and used water is collected via pipes and drains and then treated and managed for both indirect potable use and direct non-potable use of demands from industrial and domestic sectors. The first phase of DTSS was implemented during 2000 and 2008 while the second phase of DTSS project that was officially commenced in 2004 and expected to be completed in 2024 will embrace the establishment of a new water reclamation plant. Under such circumstances, a series of sewer pipes and drains related projects are likely to be commenced in the near future to ensure a more robust and reliable water recycle system on the basis of the new construction of water treatment plant.

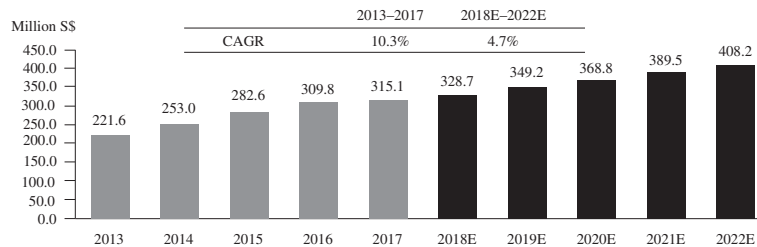
Currently, the sewerage reticulation system in Singapore comprises approximately 3,500 km of public sewers and more than 90,000 sewer manholes. In order to improve the overall treatment capacity of sewerage system, there is a consistent demand for sewer pipe works with regard to systematic check and inspection of old sewers, which therefore creates great opportunities for pipeline engineering works providers. The rehabilitation works of old sewers conducted by pipeline engineering works providers would bring such benefits as prevention of overloading of sewerage networks and leaky sewers, optimisation of flow efficiency, etc. As for the private sewers, the Public Utilities Board has embarked a programme to help private sectors to manage their sewers effectively where technical assistance is also provided. In order to ensure the function of sewers properly, pipeline engineering works providers are thereby engaged to help maintain the private sewer networks, which also activates market potential for sewer pipe works.

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As an significant part of the entire infrastructural pipeline engineering market in Singapore, the market size of sewerage sector has achieved notable growth, increasing from approximately S\$221.6 million in 2013 to approximately S\$315.1 million in 2017 at a CAGR of 9.2%, which was as a result of the government's efforts to continuously upgrade the water recycle system in Singapore.

It is expected that a series of sewerage projects will be initiated and commenced in the future as with the construction of the second phase of DTSS (Deep Tunnel Sewage System). Therefore, the market size for the sewer engineering sector will keep growing and reach S\$408.2 million in 2022.

Market size of infrastructural pipeline engineering market by certified progress payment in the segment of sewerage (Singapore), 2013–2022E



Source: Building and Construction Authority, Frost & Sullivan

Future trends

- *Wide use of pipe jacking technology*

Pipe jacking is a kind of technique that is widely used for the installation of pipelines such as sewerage pipes, water mains and others. Due to the physical principle that pipes are pushed by powerful hydraulic jacks through the ground behind a shield while at the same time excavation is taking place within the shield, pipeline engineering works applying pipe jacking bring such benefits as minimum of traffic disruption and disturbance brought to public with regards of noise, dirt and vibration. With the wide application purposes and advanced techniques of pipe jacking, it is estimated that the pipeline engineering market is likely to see an increase in the adoption of such non-intrusive trenchless techniques. Moreover, the contract sum available for tender is expected to continue to witness an increase on water pipeline engineering projects especially projects initiated by PUB and those projects that involve pipe jacking works of 800 mm, 1,200 mm and 3,000 mm diameters in size and relevant machinery.

- *Emphasis on workforce trainings*

With the purpose to improve the overall construction market in terms of capability and productivity, the Building and Construction Authority has introduced a Construction Productivity and Capability Fund (CPCF) with a value amounting to about S\$800 million, which covers a series of schemes including technology innovation, workforce development and so forth. Thus, it is expected that on the condition of such incentive programme, contractors in the pipeline engineering market will start to attach growing importance to staff training and to get engaged in the construction engineering capability development and workforce training programme so as to enhance professional skills and to further strengthen market position.

- *Increasing adoption of advanced cable products*

With the growth in population and increasing consumption of electricity accordingly, the power system of Singapore is facing more challenges. In order to reduce the power loss during transmission and maintain the stability of overall power system, advanced cable products are needed for power cable engineering.

As many of the power cable lines are constructed under seas, environmentally-friendly designs and high safety performance are two major requirements for development of cable products in the market. With the increasing adoption of advanced cable products in power cable engineering market in Singapore, quality of construction projects is likely to be guaranteed and safety requirements will be better met. The development of technology of power cable products will surely benefit the power cable engineering market in Singapore.

- *Expand of the overseas power cable engineering market*

To maintain the market share and survive the intensifying competition in power cable engineering market in Singapore, players are now aiming on the overseas market. For example, EMAS AMC, a subsidiary of Ezra Holdings had entered a three year contractual agreement on construction of marine cables with Apache, a UK based company in 2014. The abundant experience and technology of marine cable engineering guaranteeing the competitive advantages of Singapore power cable engineering companies in the overseas market. As such, expanding business to the overseas power cable engineering market will provide more opportunities in the future.

Opportunities

- *Supportive policies from the government*

In order to ensure the housing affordability, the Singapore Government has been working on a series of policies with regard to the construction of public houses during recent years. HDB (Housing and Development Board) which was specially established by the government to create a quality living environment for people has provided housing units to approximately 82% residential population in Singapore in 2017. During the past few years, the number of dwelling units under HDB (Housing and Development Board)'s management increased from 922,493 units in 2012 to 1,010,613 units in 2016, representing a CAGR of approximately 2.3% according to data from the Singapore Department of Statistics. With the government's sustained support on improving living standard via provision of quality and affordable public housing, the pipeline engineering market is likely to embrace potential opportunities since water, electric, gas and so forth needed to be transported to housings.

- *Expected renewal of utilities*

In order to ensure the daily life of households and to further meet their growing demand for high quality life with regards of drinking water safety, adequate supply of gas as well as coverage of communication network, utility department and companies such as PUB (Public Utilities Board), Singapore Power tend to initiate a series of utility renewal projects in the following years to repair and maintain impaired and aged pipes. For example, PUB announced in 2017 that 75 kilometers of older water pipelines would be renewed over the next two years. Given such condition, the expected utility renewal projects thus create opportunities for the contractors in the pipeline engineering market. It is also common in Singapore that the utility companies rely on one or several large infrastructural pipeline construction companies as they may need the provision of full range of services.

- *Development of the new energy grid system*

The Research, Innovation and Enterprise Council (RIEC) has announced the plan of development of new energy grid system, and a massive investment amounted to S\$19 billion spread over 2016 to 2020. The new energy grid will consolidate gas, solar and thermal energy into a single intelligent network, thus establishing a more efficient, sustainable and resilient energy network. The development of new energy grid system will create more projects and job opportunities to the cable engineering market and drive more technology innovations under the engineering domain, which will further boost the development of cable engineering market in Singapore.

- *Rising demand for submarine cable projects*

Submarine cable system is able to provide more stable power distribution and deliver affordable high-speed internet access. In order to fulfill the rising demand for long distance power and telecommunications transmissions, there is an upward trend on the number of submarine cable projects, especially the projects that connecting Southeast Asia. For example, China Mobile International (CMI) has announced its Bay to Bay Express (BtoBE) submarine cable investment project in June 2018, which will connect Guangdong, and the San Francisco Bay Area, then extend southward to Singapore. With the increasing number of submarine cable projects, power cable engineering companies can grasp better opportunities to develop.

Threats

The water pipe and sewerage, gas pipe and power cable markets are also subject to the following threats:

- *Fluctuation in prices of raw materials*

The pipeline engineering market is currently confronted with unstable prices of raw materials, which is likely to effect the sustainable development of market players. For example, import prices of polyethylene pipe and steel pipe kept increasing over the period from 2013 to 2017, representing a CAGR of 14.6% and 11.2% respectively when import price of petroleum oil decreased during 2013 and 2016 and then rebounded in 2017. Under such condition, pipeline engineering works contractors have to face the frequent price adjustments made by suppliers, which may hinder the procurement and budget plan of contractors.

- *Increase in foreign worker levy*

Due to the issue of labour shortage locally, industries such as construction and manufacturing of Singapore have recruited a large number of foreign workers to compensate such insufficiency. As of December in 2017, number of foreign employees took up approximately 37.3% of overall employees in Singapore. However, in order to reduce reliance on foreign workers, the Ministry of Manpower of Singapore raised the levy for foreign workers in Basic Tier R2 of the construction sector from \$650 to \$700 in July of 2017. For the overall construction market whose foreign workers have accounted for more than 73%, market players including contractors in the pipeline engineering market is likely to face rising labour cost.

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- *Threats from overseas entrants*

The new entrants from overseas with abundant experience and advanced technologies pose threats to domestic players in the power cable engineering market in Singapore. Korean-based cable specialist LS Cable, for example, has won a contract from Singapore Electric Power Company for submarine cables worth S\$75.2 million in 2017 to replace the old submarine cables that were built in 1985. The overseas entrants will dilute the market share of existing market participants, thus affects the financing capacity and the further development in the future.

- *Increasing operation costs*

The cable engineering market in Singapore is labour intensive. The average monthly salary of workers engaged in power cable engineering increased at a CAGR of 5.6% from 2013 to 2017, and is expected to further increase due to shortage of labour supply, which tends to increase the operation costs of the participants in the market, and affect the profitability of the existing projects.

Cost analysis — Raw materials

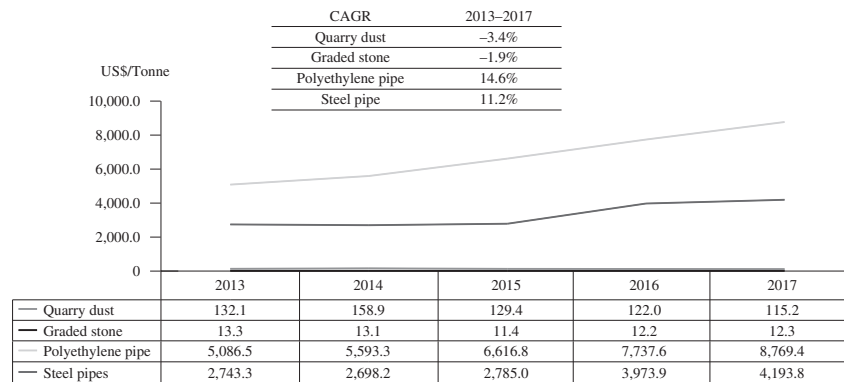
Import prices of main materials for pipeline engineering works

Quarry dust, graded stone, polyethylene pipe and steel pipe are the four major raw materials used in the pipeline engineering market in Singapore. Over the period from 2013 to 2017, import price of quarry dust and graded stone experienced a downtrend, representing a CAGR of -3.4% and -1.9% respectively, which was mainly attributable to their oversupply while import price of polyethylene pipe and steel pipe grew at a CAGR of 14.6% and 11.2% from 2013 to 2017.

Import price of petroleum oil demonstrated a downtrend during 2013 and 2017 with the price decreasing from approximately US\$0.81 per kilogramme in 2013 to approximately US\$0.39 per kilogramme, which was mainly attributed to the fluctuation of global economic environment.

Petroleum oil is one of the major raw materials used in pipeline engineering market.

Import prices of main materials for pipeline engineering works (Singapore), 2013–2017



Source: Trademap; Frost & Sullivan

Cost analysis — Labour cost

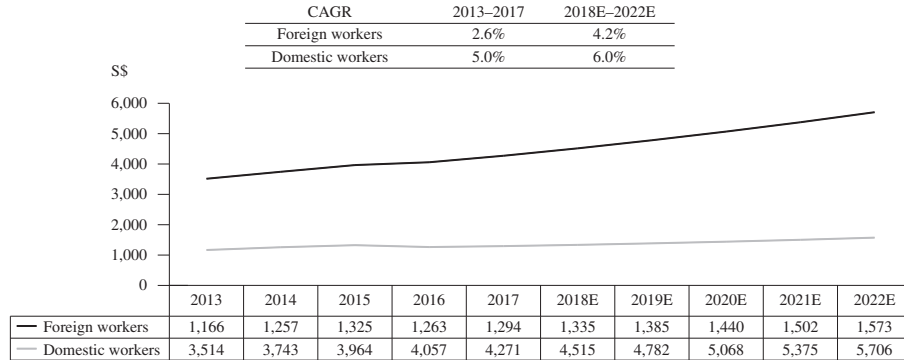
Average monthly salary of pipeline engineering workers

The average monthly salary of domestic workers in Singapore pipeline engineering market rose from approximately S\$3,514 per person per month in 2013 to approximately S\$4,271 per person per month in 2017. With the sustained growth of Singapore economy as well as the shortage of labour forces of the entire civil engineering market, the average monthly salary of domestic workers in Singapore pipeline engineering market is expected to experience a further increase and reach approximately S\$5,706 per person per month in 2022.

Confronted with labour insufficiency, players in the Singapore pipeline engineering market tend to employ a large number of foreign workers, which is also to the benefits of cost control. Over the period from 2013 to 2017, the average monthly salary of foreign workers of pipeline engineering market in Singapore increased from approximately S\$1,166 per person per month in 2013 to approximately S\$1,294 per person per month in 2017. With the expected renewal projects for existing pipes including water pipelines and gas pipelines, there is an increasing demand for pipeline engineering workers on-sites. Thus, the average monthly salary of foreign workers is projected to keep an uptrend, increasing from approximately S\$1,335 per person per month in 2018 to approximately S\$1,573 per person per month in 2022.

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Average monthly salary of pipeline engineering workers (Singapore), 2013–2022E



Source: Building and Construction Authority; Frost & Sullivan

Competitive landscape analysis

Overview

According to the Building and Construction Authority, a total number of 316 contractors got licensed for the cable/pipe laying & road reinstatement with 12 of them obtained grading L6 who were able to undertake projects without limitation of contract value as of June 2018.

The overall infrastructural pipeline engineering market in Singapore was considered fragmented in 2017 with hundreds of players competing in the market. Large players in the market usually have established long-term and stable relationship with customers due to their recognised market reputation for professional services for pipeline engineering works and such reputation tends to help attract more customers, which therefore further strengthens players' position in the pipeline engineering market in Singapore. Moreover, large players in the pipeline engineering market in Singapore have sufficient capital in investment of cultivating a team of experienced members who are skilled at applying different techniques in execution of projects while they also have set up stringent safety standards to guide their project progress and to ensure safety of the entire project. It is common in Singapore that the utilities companies rely on one or several large infrastructure pipeline construction companies as they may need the provision of full range of services.

As for the segment of the water and sewer pipeline, it was considered competitive in Singapore with more than 50 contractors were involved in 2017. Major competitive focus lies in contractors' relationship with customers, market reputation and techniques know-how. As for customer relationships, public departments such as PUB has launched a series of water and sewer projects to facilitate the government's endeavor to improve water cycle system in Singapore. Additionally, professional labour forces with technique know-how allow contractors to use proper machines to execute projects more efficiently meanwhile the completion of high quality projects that helps to achieve recognition from customers may further strengthen market reputation of contractors.

As for the segment of power cable, approximately 50% of contractors who registered with Building Construction Authority (BCA) with workhead CR07- Cable/pipe installation are engaged in the power cable engineering works in Singapore as at the Latest Practicable Date. The power cable engineering market in Singapore is relatively concentrated, where around 40 companies were awarded power cable engineering contracts from 1998 to 2018. Out of which, most of the power cable contracts were awarded to companies with tender limits above L3, with tendering limit above S\$4 million. Most of power cable engineering projects were initiated by SP PowerAssets and SP PowerGrid which are subsidiaries to SP Group who owns and operates electricity transmission and distribution businesses in Singapore, as the utility service is normally in monopoly nature in Singapore.

Top five players in the infrastructural pipeline engineering market in Singapore

The infrastructural pipeline engineering market in Singapore was considered fragmented with an aggregated market share of approximately 20.4% for the top five market players, which represented a market value of approximately S\$202.3 million for the year ended 31 March 2018 in terms of revenue. Company A which is a listed company, ranked first with revenue of S\$102.5 million and contributed to approximately 10.3% of the entire market. The other three competitors in the ranking table are all private companies.

The Group ranked third and had an estimated market share of approximately 2.4% in the infrastructural pipeline engineering market in Singapore.

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Set forth below is the table with information of top five players in terms of revenue in infrastructural pipeline engineering market in Singapore for the year ended 31 March 2018:

Ranking	Name	Business description	Estimated revenue (S\$ million)	Estimated market share
1	Company A	Company A is an established utilities infrastructure service provider based in Singapore, providing pipeline works including construction and maintenance, rehabilitation and so forth.	102.5	10.3%
2	Company B	Company B is mainly engaged in the provision of pipeline project works on segments of water, gas, cable.	37.2	3.7%
3	The Group	Our Group is specialised in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries.	23.4	2.4%
4	Company C	Company C's core services centered on the design, construction and modification of portable water, industrial water, raw water, sewer and gas pipelines.	20.6	2.1%
5	Company D	Company D is involved in the pipeline engineering works, including construction, maintenance and so forth.	18.6	1.9%
Top five total			<u>202.3</u>	<u>20.4%</u>
Total revenue			<u>993.0</u>	<u>100.0%</u>

Source: Frost & Sullivan

Top five players in the segment of gas pipeline of infrastructural pipeline engineering market

The segment of gas pipeline in the infrastructural pipeline engineering market in Singapore was concentrated with an aggregated market share of approximately 42.4% for the top five market players who are all private companies, which represented a market value of approximately S\$52.7 million for the year ended 31 March 2018 in terms of revenue.

Our Group ranked second with a revenue of S\$13.3 million and contributed to approximately 10.7% of the entire market.

Ranking	Name	Business description	Estimated revenue (S\$ million)	Estimated market share
1	Company E	Company E is mainly engaged in the provision of civil engineering projects with the focus on gas pipe laying.	14.1	11.3%
2	The Group	Our Group is specialised in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries.	13.3	10.7%
3	Company F	Company F's line of business includes providing general contracting services such as constructing water and sewer mains and gas pipes.	10.9	8.8%
4	Company B	Company B is mainly engaged in the provision of pipeline project works on segments of water, gas, cable.	10.2	8.2%
5	Company G	Company G is involved in the construction of onshore transmission pipelines that receive natural gas from offshore pipelines.	4.2	3.4%
Top five total			<u>52.7</u>	<u>42.4%</u>
Total revenue			<u>124.5</u>	<u>100.0%</u>

Source: Frost & Sullivan

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Entry barriers

- *Proven track records*

Credible track record is considered one of the barriers for new entrants to enter the pipeline engineering market in Singapore. The proven track records not only lie in the number of remarkable projects completed during a certain period but are also closely related to the quality of works, the comprehensive abilities in design and project execution and so forth, which cannot be achieved in a short time. Thus, new entrants without professional know-how and experience in provision of pipeline engineering works may compromise their overall competitiveness.

- *Experienced expertise with technique know-how*

Experienced professionals equipped with technique know-how play a crucial part in assuring the effectiveness and quality of pipeline engineering works. In particular for the execution of specific works, professional workforces with market know-how have a better understanding of what kind of road excavation techniques should be applied based on respective requirements with regard to different types of pipelines being laid. However, it is currently becoming increasingly difficult for players in the pipeline engineering market in Singapore to recruit skilled experts due to labour shortage meanwhile it also takes time for new entrants to train a professional team with comprehensive abilities.

- *Relationships with customers and market reputation*

Incumbents in the pipeline engineering market in Singapore have generally established stable business relationship with customers including utilities departments and companies such as the Public Utilities Board, PowerGas, etc. Such well-established network allows contractors in the pipeline engineering market to secure project tenders and to maintain competitiveness in the market. Additionally, obtaining recognition from customers strengthens companies' market reputation, which increases possibilities of getting awarded for projects. From other perspective, however, it is challenging for new entrants to build up extensive network and market reputation within short amount of time.

OVERVIEW

We are principally a main contractor specialising in infrastructural pipeline construction and related engineering services mainly for gas, water, telecom telecommunication cable projects for private and public utilities companies in Singapore. Accordingly, our business is subject to relevant laws, regulations and policies of Singapore, and under the supervision of Singapore government authorities. Our business operations in Singapore are subject to the law and regulations relating to construction works, employment and safety, environmental protection and operation qualifications. Any violation of those laws and regulations would have a negative impact on our business operations and future development.

BUSINESS QUALIFICATIONS AND LICENCES

Licensing of builders

The 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 Act (Chapter 29) ("**Building Control Act**") and the Building Control (Licensing of Builders) Regulations 2008 set out the requirements for the licensing of builders. Builders who undertake building works where plans are required to be approved by BCA and those who undertake works in specialist areas which have a high impact on public safety and require specific expertise, skill or resources for their proper execution have to be licensed by BCA. The aim of licensing of builders is to raise professionalism among builders by requiring them to meet minimum standards of management, safety record and financial solvency and to ensure that building works are carried out only by builders with experienced key personnel to manage the business and properly qualified technical personnel to supervise the execution of the works.

Builders may be licensed under two registers, the General Builder Register and the Specialist Register, each of which will be renewable on a three-yearly basis. There are two categories under the General Builder Register, General Builder Class 1, which allows the builder to undertake general building works of unlimited value, and General Builder Class 2, which allows the builder to undertake general building works of contract value S\$6 million or less.

HSC Pipeline Engineering is licensed under General Builder Class 1 until 27 June 2021. The minimum requirements to be registered as General Builder Class 1 include:

- A minimum paid-up capital of S\$300,000;
- The appointment of an approved person who either (a) holds a qualification of a bachelor's degree or post-graduate degree in any field and has at least three years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications; (b) holds a qualification of a diploma in a construction-related field and has at least five years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications; or (c) completed the course "Essential Knowledge in Construction Regulations & Management for Licensed Builders" conducted by BCA and has at least ten years (in aggregate) of practical experience in the execution of construction projects in Singapore; and

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- The appointment of a technical controller who holds a bachelor's degree or post-graduate degree in a construction-related field and has at least five years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications.

Main contractors licensed under General Builder Class 1 will need to comply with requirements of the Construction Registration of Tradesmen Scheme (“**CoreTrade**”) on construction personnel. CoreTrade is a registration scheme, administered by the BCA, for skilled and experienced construction personnel in the various key construction trades. The objective of CoreTrade is to build up a core group of local and experienced foreign workers in key construction trades to anchor and lead the workforce. All General Builder Class 1 contractors carrying out building works with project contract values of S\$20 million and above will be required to deploy such number of CoreTrade personnel to fulfil the minimum man-years entitlement prescribed for the relevant building works.

Contractors registry

The Contractors Registry is administered by BCA and is established to register contractors that provide construction-related goods and services to the public sector. Contractors are required to register in a workhead category which best describes their specialisation. The workheads are divided into seven major categories, which are “construction”, “construction-related”, “mechanical and electrical”, “maintenance”, “trade heads for subcontractors”, “regulatory workhead” and “supply”, some of which are further sub-classified into grades depending on the category of registration.

Registration of a contractor with BCA is dependent on the contractor fulfilling certain requirements relating to, *inter alia*, the value of previously completed projects, personnel resources, financial ability and track record. The grading given by BCA is subject to renewal every three years and companies that have not actively tendered for contracts during this period may lose their registration.

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Our current gradings are due for renewal on 1 October 2019. Our Group is registered with BCA as follows:

Workhead/Description	Grade	Tender capacity for each project	Minimum requirements	Work scope
CW02 (Civil Engineering)	B2	S\$13.0 million	A minimum paid-up share capital and net worth of S\$1.0 million. The completion of at least S\$10.0 million worth of contracts in the last three years, of which the contractor (a) is named as main contractor for an aggregate value of at least S\$5.0 million; and (b) has completed a minimum single size project that is worth at least S\$2.5 million. The appointment of at least three Registrable Professional (“RP”)⁽¹⁾, Professional (“P”)⁽²⁾ or Technical personnel (“T”)⁽³⁾, of whom one must be a RP and one must hold an ACCP⁽⁴⁾ certification. Possession of the following certifications and licences: ● ISO9001:2008 (SAC) ● ISO14001 ● ISO45001/OHSAS18001 ● GGBS ● General Builder Class 1	(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. (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. (c) Works involving marine piling and the construction of marine structures such as jetties, wharves, sea and river walls.

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Workhead/Description	Grade	Tender capacity for each project	Minimum requirements	Work scope
CR07 (Cable/Pipe Laying and Road Reinstatement)	L6	Unlimited	A minimum paid-up share capital and net worth of S\$1.5 million. The completion of at least S\$30.0 million worth of contracts in the last three years, of which the contractor (a) completed an aggregate value of at least S\$7.5 million in Singapore; (b) is named as main contractor for an aggregate value of at least S\$3.0 million; and (c) has completed a minimum single size project that is worth at least S\$3.0 million. The appointment of at least 2 P personnel, both of whom have at 5 years' relevant experience and one of whom must hold a SDCP⁽⁴⁾ certification	Installation of underground cables/pipes and the subsequent reinstatement of roads and other surfaces including detection of underground services.
ME10 (Line Plant Cabling/Wiring for Telecommunications)	L1	S\$0.65 million	A minimum paid-up share capital and net worth of S\$0.01 million. The completion of at least S\$0.1 million worth of contracts in the last three years. The appointment of at least 1 T personnel and another RP, P or T personnel with a BCCPE⁽⁶⁾ certification.	Laying of underground telecommunication cables.

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Workhead/Description	Grade	Tender capacity for each project	Minimum requirements	Work scope
ME11 (Mechanical Engineering)	L3	S\$4.0 million	A minimum paid-up share capital and net worth of S\$0.15 million. The completion of at least S\$3.0 million worth of contracts in the last three years. The appointment of at least 2 T personnel and another RP, P or T personnel with a BCCPE certification. Possession of BizSAFE Level 3/ ISO45001/OHSAS18001	The installation, commissioning, maintenance and repair of mechanical plant, machinery and systems. It includes the installation and maintenance of power generation and turbine systems.

Notes:

- (1) A RP personnel 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).
- (2) A P personnel must have a minimum professional qualification of a recognised degree in architecture, building, civil/structural engineering or equivalent.
- (3) A Technical personnel 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.
- (4) “ACCP” means Advanced Certificate of Construction Productivity conducted by BCA Academy.
- (5) “SDCP” means Specialist Diploma in Construction Productivity conducted by BCA Academy.
- (6) “BCCPE” means Basic Concept in Construction Productivity Enhancement (Certificate of Attendance) conducted by BCA Academy.

Public sector standard conditions of contract for construction works (“PSSOC”)

The PSSOC was developed by BCA to enable a common contract form to be used in all public sector construction projects. The PSSOC contains terms relating to, *inter alia*, the general obligations of the contractor, programme for the works, quality in construction, commencement of works, suspension of works, time for completion, liquidated damages, defects, variations to the works, valuation of variations, procedures for claims, indemnity provisions, insurance, progress payments and final account and settlement of disputes.

REGULATIONS RELATING TO CONSTRUCTION WORKS

Approval and execution of plans of building works

Under BCA's Building Control Act, no person shall commence or carry out, or permit or authorise the commencement or carrying out of, any building works unless the plans of the building works have been approved by the Commissioner of Building Control ("**CBC**") and in the case of structural works, there is in force a permit granted by CBC to carry out the structural works. Before an application to CBC for the approval of the plans of the building works is made, every person for whom any relevant building works are or are to be carried out, or the builder of such building works, shall appoint either a registered architect or professional engineer ("**Qualified Person**") to prepare the said plans in accordance with the Building Control Regulations 2003, and to supervise the building works.

The carrying out of structural elements and concreting, piling, pre-stressing, tightening of high-friction grip bolts or other critical structural works of a prescribed class of building works would also require the supervision of a Qualified Person, or a site supervisor or team of site supervisors appointed by the Qualified Person and working under his control and direction. Under the Building Control Act, a builder undertaking any building works shall, inter alia, (i) ensure that the building works are carried out in accordance with the plans of the building works supplied to it by the Qualified Person and with any terms or conditions imposed by CBC in accordance with the Building Control Act and the Building Control Regulations 2003; (ii) notify CBC of any contravention of the provisions of the Building Control Act or the building regulations in connection with those building works; and (iii) within seven days from the completion of the building works, certify that the new building has been erected or the building works have been carried out in accordance with the Building Control Act and the building regulations and deliver such certificate to CBC.

The Building Control Regulations 2003 sets out certain requirements of BCA relating to, inter alia, design and construction and the installation of exterior features. For example, whenever soil investigation and determination of the depth of the water table are to be carried out in respect of any building works, the Qualified Person shall submit the soil investigation reports to CBC. If CBC is of the opinion that any building works, other than structural works, have been or are carried out in such a manner as (i) will cause, or will be likely to cause, a risk of injury to any person or damage to any property, (ii) will cause, or will be likely to cause, a total or partial collapse of any adjoining or other building or street or land; or (iii) will render, or will be likely to render, any adjoining or other building or street or land so dangerous that it will collapse or be likely to collapse either totally or partially, he may, by order, direct the person for whom those building works have been or are being carried out to immediately stop the building works and to take such remedial or other measures as he may specify to prevent the abovementioned situations from happening.

General administration of works on public roads

The Street Works Act (Chapter 320A) provides for the control and regulation of works carried out on public streets in Singapore. The Street Works Act and the Street Works (Works on Public Streets) Regulations are administered by the LTA, and no person may carry out any works on any public streets unless the prior approval of LTA has been obtained pursuant to the aforesaid legislation.

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In addition, LTA has the power to, *inter alia*, order the stoppage of any activities causing damage to public streets and require the contractor to rectify any damage caused to the public streets as a result of the construction works at the contractor's expense. LTA may suspend the contractor from continuing construction works if, in the course of carrying out any works on any public street, (a) the contractor commits any of the defaults listed in the code of practice for works on public streets issued by LTA; and (b) the cumulative demerit points in any given calendar month exceeds 200.

The length of suspensions ranges from three months to 24 months, depending on the number of suspensions that the contractor already has in the past two years. During the period of suspension, the defaulting contractor cannot be appointed for any new work application. However, LTA will allow those on-going works as listed in LTA's record to continue till completion.

Prior to the commencement of construction works on public roads, the contractor must make an application to LTA for road closure (if applicable) under the Road Traffic Act (Chapter 276). In addition, the contractor must also comply with the code of practice for traffic control at work zone issued by LTA in relation to the planning and design of temporary traffic control at construction zones.

Approvals for commencement of works and earthworks

In the course of carrying out construction works and earthworks, a contractor is required under the Public Utilities Act (Chapter 261) to ensure that no damage is caused to the water mains belonging to the Public Utilities Board (“PUB”). Further, where the contractor engages in certain specified activities provided in the Public Utilities (Protection of Water Pipes Infrastructure) Regulations 2017 (which include, *inter alia*, construction works and earth works) the following must be complied with:

- For specified activities carried out within a part of a water corridor through which a water pipe with a diameter less than 300 millimetres runs, the contractor must (a) provide notice of the plan for the activity to PUB (and any subsequent amendments thereto); and (b) ensure that at least 28 days have elapsed from the date of notice to PUB, before the activity is carried out; and
- For specified activities carried out within a part of a water corridor through which a water pipe with a diameter of at least 300 millimetres runs, approval of the plan for the activity from PUB must be obtained.

Where the contractor engages in specified activities within a part of a public sewer corridor, approval of the plan for the activity from PUB must be obtained under the Sewerage and Drainage (Protection of Public Sewerage System) Regulations 2017.

Upon completion of the specified activity, the contractor must conduct a construction survey to establish whether the water supply system or sewerage system (as the case may be) which runs through that part of the corridor is damaged or adversely affected by the activity, and submit a copy of the report of the construction survey to PUB.

Under the Sewerage and Drainage Act (Chapter 294), all contractors have to obtain a clearance certificate or approval from PUB before commencing earthworks for (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

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system, drain or drainage reserve. In addition, the contractor must ensure that no trade effluent which fulfils the criteria prescribed in the Sewerage and Drainage (Trade Effluent) Regulations or is not of a nature or type approved by PUB is discharged into any public sewer as a result of the construction works.

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

- comply with the Code of Practice on Surface Water Drainage (“**SD Code**”);
- ensure earth control measures are provided and maintained in accordance with the SD Code;
- 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;
- ensure that all earth slopes shall be set outside a drainage reserve;
- ensure that all earth slopes adjacent to any drain shall be close turfed; and
- 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 Electricity Act (Chapter 89A), 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 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:

- has given to the Electricity Licensee not less than seven days’ notice in writing of the date on which it is proposed to commence the earthworks;
- 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
- 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.

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Under the Gas Act (Chapter 116A), 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:

- has given to the gas transporter not less than seven days' notice in writing of the date on which it is proposed to commence the earthworks;
- has obtained from the gas transporter the necessary information on the location of the gas plant or gas pipe; and
- 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.

Under the Telecommunications Act (Chapter 323), no person shall commence or carry out, or cause or permit the commencement or carrying out of, any earthworks which are within the vicinity of any telecommunication cable belonging to or under the management or control of a telecommunication system licensee unless the person:

- has given to the telecommunication system licensee not less than seven days' (or such other period as the Info-communications Media Development Authority may allow) notice in writing of the date on which it is proposed to commence the earthworks;
- has obtained from the telecommunication system licensee the necessary information on the location of such telecommunication cable and has consulted the licensee on the steps to be taken to prevent the telecommunication cable from damage while the earthworks are being carried out; and
- has caused telecommunication cable detection work to be performed or carried out by a licensed telecommunication cable detection worker in order to confirm the location of the telecommunication cable,

save that where there is reasonable cause to believe that it is necessary to do so in the interest of public or private safety, the person shall (in lieu of complying with the above), give to the telecommunication system licensee notice in writing stating the nature and extent of those earthworks not more than 7 days after the earthworks have been commenced or carried out.

Under the Fire Safety Act (Chapter 109A) ("FSA"), no person shall commence or carry out, or cause or permit the commencement or carrying out of, any works which are within the vicinity of any licensed pipeline unless the person:

- has given to the holder of the license not less than seven days' notice in writing of the date on which it is proposed to commence the works;
- has obtained from the holder of the license the necessary information on the location of such licensed pipeline; and

REGULATORY OVERVIEW

- has consulted the licensee on the steps to be taken to prevent the licensed pipeline from being damaged while the works are being carried out,

save that where there is reasonable cause to believe that it is necessary to do so in the interest of public or private safety, the person shall (in lieu of complying with the above), give to the holder of the license notice in writing stating the nature and extent of those works not more than 24 hours after the works have been commenced or carried out.

Regulations relating to fire safety and fuel storage

Under the FSA, the person for whom any proposed fire safety works are to be commenced or be carried out in any building shall apply to the Commissioner of Civil Defence (“**CCD**”) for approval of the plans of the fire safety works in accordance with the Fire Safety (Building Fire Safety) Regulations and such person shall appoint a Qualified Person to prepare those plans. No person shall commence or carry out or permit or authorise the commencement or carrying out of any fire safety works in any building unless CCD has approved all the plans of the fire safety works. Upon completion of any fire safety works, the person for whom the fire safety works had been carried out shall apply for a fire safety certificate from CCD in respect of the completed fire safety works.

Where, in the opinion of CCD, any fire safety works are carried out or have been carried out in contravention of the Fire Code, the FSA or any regulations made thereunder, he may by order in writing require (i) the cessation of the unauthorised fire safety works until such order is withdrawn; (ii) such work or alteration to be carried out to the unauthorised fire safety works or the building or part thereof to which the unauthorised fire safety works relate as may be necessary to comply with the Fire Code, FSA or any regulations made thereunder; or (iii) the demolition of the building or part thereof to which the unauthorised fire safety works relate.

In addition, licences are required for the storing of petroleum or any flammable material pursuant to the Fire Safety (Petroleum and Flammable Materials) Regulations, if it exceeds certain prescribed quantities in the First Schedule of the Fire Safety (Petroleum and Flammable Materials — Exemption) Order. In anticipation that HSC Pipeline Engineering will require quantities of diesel in excess of 1,500 litres (being the limit provided in the Fire Safety (Petroleum and Flammable Materials — Exemption) Order), due to our proposed business expansion plans following the Listing, HSC Pipeline Engineering has obtained a P&FM storage licence for the storage of diesel.

REGULATIONS RELATING TO EMPLOYMENT AND SAFETY

Employment of workers

The Employment Act (Chapter 91) is administered by the MOM and sets out the basic terms and conditions of employment, rights and responsibilities of employers, as well as the categories of employees who are covered under the Employment Act. Employers shall follow the requirements in the Employment Act, in particular Part IV regarding rest days, hours of work and other conditions of service, which apply to workmen who receive salaries not exceeding S\$4,500 a month and employees (other than workmen) who receive salaries not exceeding S\$2,500 a month. Part IV of the Employment Act does not apply to persons employed in a managerial or executive position.

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No employee is allowed to work for more than 12 hours in any one day except in specified circumstances, and the aggregate amount of overtime work that an employee can perform shall not exceed 72 hours in a month. Employers must seek the prior approval of the Commissioner for Labour for exemption if they require an employee or class of employees to work for more than 12 hours a day or more than 72 overtime hours a month.

CPF contributions

The CPF system is a mandatory social security savings plan funded by contributions from employers and employees. It is governed by the Central Provident Fund Act (Chapter 36) and applies to all employees who are Singaporean citizens or Singapore permanent residents and employed under a contract of service or other agreement entered into in Singapore other than as a master, seaman or apprentice in a vessel (unless the owners of such vessel have been exempted). CPF contributions are not applicable for foreigners who hold work permits.

CPF contributions are required for ordinary wages and additional wages (subject to yearly wage ceilings), at applicable prescribed rates which vary depending on, *inter alia*, age of the employee and the amount of monthly wages. An employer must pay both the employer's and employee's share of the monthly CPF contribution, but is entitled to recover the employee's share of CPF contribution by deducting it from their wages.

Employment of foreign workers

The availability and employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A), the Immigration Act (Chapter 133) and the relevant Government Gazettes. The availability of the foreign workers to the construction industry is regulated by MOM through the following policy instruments: (a) approved source countries; (b) issuance of work permits; (c) the imposition of security bonds and levies; (d) dependency ceilings based on the ratio of local to foreign workers; and (e) quotas based on Man-Year Entitlements ("MYE") in respect of workers from non-traditional sources ("NTS") and the PRC. The approved source countries for construction workers are Malaysia, the PRC, NTS and North Asian Sources ("NAS"). NTS countries include India, Sri Lanka, Thailand, Bangladesh, Myanmar and the Philippines, while NAS countries include Hong Kong, Macau, South Korea and Taiwan. Prior to the employment of construction workers from approved source countries, In-Principle Approvals ("IPAs") have to be sought for each individual's work permit. The foreign construction worker is required to undergo a medical examination by a registered Singapore doctor and must pass such medical examination before a work permit can be issued to him.

For each non-Malaysian construction worker for whom we have successfully obtained a work permit, a security bond of S\$5,000 in the form of a banker's guarantee or insurance guarantee is required to be furnished to the Controller of Immigration. The employment of foreign workers is also subject to the payment of levies. The amount of foreign worker levy payable on each unskilled foreign worker is dependent on the qualifications of the workers and the countries where they are from, and ranges from S\$300 to S\$950. 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.

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The MYE allocation system is a work permit allocation system pertaining to the employment of construction workers from NTS and the PRC. MYEs represent the total number of foreign workers that each main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners. At the time of the MYE application, the balance duration of the project must be at least one month and the total remaining contract value of the project must be at least S\$500,000. To employ NTS and PRC construction workers, the employer must make an application for MYE, “Prior Approval” and IPAs for individual work permits. The allocation of MYE is in the form of the number of “man-years” required to complete a project and only main contractors may apply for MYE. All levels of subcontractors are required to obtain their MYE allocation from their main contractors. A main contractor’s MYE will expire on the completion date of the relevant project.

Housing of foreign workers

Under the work permit conditions, employers are required to provide acceptable accommodation for their foreign workers. Such accommodation must meet the statutory requirements set by various government agencies, including the National Environment Agency, PUB, the Singapore Civil Defence Force and BCA. A list of approved off-site housing is provided by MOM.

The Foreign Employee Dormitories Act 2015 sets out guidelines for the provision of facilities and amenities, and the delivery of services, to residents of foreign employee dormitories who are foreign employees. Premises must be licensed for the operation of a foreign employee dormitory. HSC Pipeline Engineering has obtained a temporary written permission from the Urban Redevelopment Authority to use part of its premises at 36 Sungei Kadut Avenue as an ancillary workers’ dormitory until 5 October 2022.

Regulations on workplace safety

Under the Workplace Safety and Health Act (Chapter 354A) (“**WSHA**”), employers shall take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of their employees. 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.

More specific duties are imposed under the Workplace Safety and Health (General Provisions) Regulations (“**WSHR**”), including that employers shall take measures to protect employees from the harmful effects of any exposure to any bio-hazardous material which may constitute a risk to their health. In addition, machinery or equipment such as bar-benders and welding equipment, are required to be tested and examined to ensure that the machinery or equipment used is safe, and without risk to health, when properly used. Other regulations under the WSHA include, *inter alia*, a responsibility on the employer to ensure that the working conditions of a person entering or working in any confined

REGULATORY OVERVIEW

space in the workplace are safe and without risks to their health, as well as reduce or control the noise from any machinery or equipment used, so that no person at work in the workplace is exposed or is likely to be exposed to excessive noise.

Pursuant to the WSHR, the following equipment, amongst others, are required to be tested and examined by an examiner who is authorised by the Commissioner for Workplace Safety and Health (the “**Workplace Commissioner**”), before they can be used in a factory and thereafter, at specified intervals:

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

Upon examination, the Workplace Commissioner 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 owner of the equipment/ occupier of the factory to ensure that the equipment complies with the provisions of the WSHR and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

Inspectors appointed by the Workplace Commissioner under the WSHA may, *inter alia*, enter, inspect and examine any workplace and 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 and WSHR are complied with, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is required for the purpose of an investigation or inquiry under the Workplace Regulations. The Workplace Commissioner may serve a remedial order or a stop-work order in respect of a workplace if (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 Workplace Commissioner, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

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

During the Track Record Period and up to the Latest Practicable Date, there had been no remedial orders or stop-work orders issued to our Group under the WSHA.

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For premises that are carrying out building operations (other than excavation or piling works) and works of engineering construction for a period exceeding two months, employ more than 10 workers, or use certain specified substances or equipment, the occupiers are required by MOM to register the premises (or worksite) as a “factory” with the Workplace Commissioner pursuant to the Workplace Safety and Health (Registration of Factories) Regulations 2008 (“**WSH Factories Regulations**”). Under the WSH Factories Regulations, occupiers of such premises or worksites must apply to the Workplace Commissioner to register the worksites as a “factory” before the work begins. A certificate of registration issued by the Workplace Commissioner is valid for a period of one year or such other period as the Commissioner may determine, and may be renewed subsequently upon the payment of a renewal fee.

MOM has also introduced a demerit point scheme for contractors with bad safety and health records. The purpose of such scheme is to improve the safety and health situation in the construction industry. Under this scheme, contractors will be issued with demerit points for breaches under the WSHA and relevant subsidiary legislation. The number of demerit points awarded will depend on the severity of the infringement and demerit points for a contractor are calculated by adding the points accumulated from all worksites under the same contractor. A contractor accumulating the following pre-determined number of demerit points within an 18-month period, will be debarred from employing foreign workers:

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

HSC Pipeline Engineering did not have any demerit points as at the Latest Practicable Date.

Business under surveillance programme

The main purpose of the Business Under Surveillance (“**BUS**”) Programme is to help companies which have:

- had a fatality at any one of their premises;
- displayed consistently poor workplace safety and health (“**WSH**”) management, such as poor site conditions that result in stop work orders; and
- accumulated demerit points.

BUS aims to help companies improve WSH mindsets, standards and practices, with the ultimate goal of preventing incidents at the workplace. In the assessment phase, MOM’s Occupational Safety and Health Division (“**OSHD**”) will review the company’s risk assessment and management system. If the company fails the assessment, it will come under close surveillance.

REGULATORY OVERVIEW

In the surveillance phase, the company's management must develop and commit to a comprehensive and sustainable action plan. The company is accountable for implementing their action plan and reports its progress regularly to OSHD. The OSHD Surveillance Branch also conducts frequent inspections to verify the progress made. The company will exit from the programme when it demonstrates significant improvement in its WSH performance and management, and shows that it has plans to build a strong WSH culture within the company.

Work injury compensation

The Work Injury Compensation Act (Chapter 354), which is regulated by MOM, applies to workmen in all industries in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) of calculating such compensation. It provides that employers shall pay compensation to their employees if personal injury in the course of the employment is caused to an employee, and applies to all local and foreign employee under a contract of service or contract of apprenticeship, save for independent contractors, self-employed persons, domestic workers, or uniformed personnel.

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

REGULATIONS RELATING TO PAYMENT FOR SERVICES

The BCISPA, which is under the purview of BCA, facilitates payments for construction work done or for related goods or services supplied in the building and construction industry. Service providers shall be statutorily entitled to progress payments on any person who has carried out any construction work or supplied any goods or services under a contract. Service providers shall also be entitled to progress payments and the valuation of the construction work carried out or goods or services supplied.

Under the BCISPA, a "pay when paid" provision in a contract is unenforceable and has no effect in relation to any payment for construction work carried out or for goods or services supplied under the contract. In addition, the BCISPA provides for the following rights:

- 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 the 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;

REGULATORY OVERVIEW

- the right of a claimant to have a lien on goods supplied by the claimant to the respondent that are unfixed and which have not been paid for, to suspend the carrying out of construction work or the supply of goods or services if the adjudicated amount has not been paid, and to enforce an adjudication determination, with leave of the court, in the same manner as a judgement or an order of court to the same effect; and
- 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 construction work or goods or services that is the subject of the contract between the respondent and the claimant) to make direct payment of the amount outstanding to the claimant, together with the right for such principal to recover such payment as a debt due from the respondent.

For instance, where a supply contract provides for a progress payment date, the progress payment shall become due and payable on the earlier of (a) the date specified in the contract; or (b) the expiry of 60 days after the relevant payment claim is served. Where the supply contract does not provide for the progress payment date, the progress payment shall become due and payable upon the date of expiry of 30 days after the service of a payment claim.

For construction contracts, where the contract provides for a progress payment date, the progress payment shall become due and payable on the earliest of the following dates: (a) the date specified in the contract; (b)(i) upon the expiry of 35 days after the submission of a tax invoice if the claimant is GST-registered; and (b)(ii) 35 days after (A) the date specified in the contract; or (B) within 21 days after the service of a payment claim.

Where the construction contract does not provide for the progress payment date, the progress payment shall become due and payable upon earlier of the expiry of 14 days after (a) the submission of a tax invoice if the claimant is GST-registered or (b) within 7 days after the service of a payment claim.

GOVERNMENT GRANTS

The prevailing corporate income tax rate in Singapore is 17%. However, our Group obtained various government grants during the Track Record Period, which lowered our effective tax rate. A summary of the key terms and qualifying conditions of the main grants obtained by our Group is set out below:

Mechanisation credit scheme (“MechC Scheme”)

The MechC Scheme provides assistance to Singapore-registered businesses to defray the costs of adopting technologies that improve productivity in construction projects. A business must fulfil the following eligibility criteria:

- The equipment must be used in a local construction project and can achieve at least 20% (Standard MechC Scheme) or 30% (Enhanced MechC Scheme) in manpower savings or in site productivity;
- The purchase or leasing of new (and not used) equipment must not have been made before the time of application and must not be from related companies; and

REGULATORY OVERVIEW

- The support for leasing shall be applicable to equipment with a lease period of at least 1 month and not more than 12 months, within the qualifying period. No support shall be provided for short term rental of equipment.

The amount of grant which a company can obtain is subject to a maximum of S\$200,000 for purchase of equipment and S\$50,000 for leasing of equipment, and varies (depending on the purchase or leasing price):

- (a) From 20% to 50% under the Standard MechC Scheme; and
- (b) From 20% to 70% under the Enhanced MechC Scheme. A company needs to show evidence that it is building capability in areas such as financial standing, human resource development and certifications to qualify for this scheme.

The MechC Scheme has been discontinued on 31 May 2018.

Quieter construction fund

The Quieter Construction Fund supports Singapore-registered companies in adopting the use of quieter construction equipment, noise control equipment and innovative solutions to reduce construction-related noise.

To be eligible, the applicant must be a Singapore-registered company that:

- Is operating on or supplying construction equipment for an existing or proposed construction site located less than 150m from any hospital, home for the aged sick, residential building, or other noise-sensitive premises;
- Shows that the noise performance of the equipment (which must be measurable during inspection) meets specified guidelines and criteria; and
- Must not purchase or lease new (and not used) equipment before the time of application.

The amount of grant which a construction company can obtain is subject to a cap of S\$150,000 or 5% of the project contract value (whichever is lower) for projects with contract values of less than or equal to S\$50 million. For projects with contract values exceeding S\$50 million, the maximum amount of grant which a construction company can obtain is S\$200,000. The amount of grant for each equipment will vary from 25% to 50% depending on whether it is purchased or leased, as well as the value of the equipment.

Productivity innovation project scheme (“PIP”)

The PIP encourages contractors and prefabricators to embark on development projects that build up their capability and improve their site processes for achieving higher site productivity.

The amount of grant which an individual company can obtain per application is subject to a maximum S\$100,000 (for the Standard PIP) and S\$300,000 (for certain technologies under the Enhanced PIP). A company needs to show evidence that it is building capability in any two of the areas of

REGULATORY OVERVIEW

financial standing, human resource development and certifications to qualify for the Enhanced PIP. The amount of grant for each application can be up to 50% (for the Standard PIP) and up to 70% (for the Enhanced PIP).

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection and Management Act (Chapter 94A) (“**EPMA**”), which is administered by the National Environment Agency, controls the levels of, *inter alia*, air pollution, water pollution, land pollution and noise control in Singapore by regulating the activities of various industries. The EPMA provides that where work of engineering construction is being carried out, employers shall carry out works in such a manner, *inter alia*, so as not to threaten the health or safety of any person, or to cause noise pollution of the environment. The Environmental Protection and Management (Control of Noise at Construction Sites) Regulations, provides that employers shall ensure that the level of noise emitted from their construction site does not exceed the maximum permissible noise levels.

The Environmental Public Health Act (Chapter 95) (“**EPHA**”) requires, *inter alia*, a person, during the erection, alteration, construction or demolition of any building or at any time, to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance. The EPHA also regulates, *inter alia*, the disposal and treatment of industrial waste and public nuisances.

Under the EPHA, a nuisance order may be served on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with by NEA, under the EPHA include any factory or workplace which is not kept in a clean state and 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 EPHA also requires the occupier of any construction site to employ a competent person to act as an environmental control officer in the construction site for the purpose of exercising general supervision within the construction site of the observance of the provisions of, *inter alia*, the EPHA.

A person is further required to ensure, *inter alia*, that no conditions favourable to the propagation or harbouring of vectors (such as mosquitoes) are created at any site under the Control of Vectors and Pesticides Act (Chapter 59). If such conditions are found to exist, the remedial actions that may be ordered include the commencement and completion of vector control work by certain specified timelines, or the stoppage of work on the premises until the vector control work or specified measure has been taken to bring the premises into a condition unfavourable to the propagation or harbouring of vectors.

COMPANY LAWS AND REGULATIONS

Our major operating subsidiary, HSC Pipeline Engineering, is an indirect wholly-owned subsidiary of our Group. It is a private company limited by shares, incorporated and governed under the provisions of the Companies Act and its regulations.

REGULATORY OVERVIEW

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 its constitution (which in the case of a company incorporated immediately before the date of commencement of Section 3 of the Companies (Amendment) Act 2014, refers to the memorandum and articles of association of the company). The constitution of a company provides for, *inter alia*, the objects of the company, any restrictions on the transfers of shares, as well as sets out the rights and privileges attached to the different classes of shares of the company (if applicable).

HISTORY OF OUR COMPANY

Overview

Our business can be traced back to 1993 in Singapore, when HSC Pipeline Engineering, our major operating subsidiary, was incorporated by Mr. Michael Shi, our co-founder, Controlling Shareholder, Executive Director, Chairman and chief executive officer, and Mr. Shi Guan Lee, our co-founder, Executive Director, and the operations director of our Group, as a private limited company under the name “Hup Seng Choon Contractor Pte Ltd”. We provided gas pipeline engineering services in the 1990s, as there was demand for such services to develop Singapore’s infrastructure, to various utilities companies in both the public and private sectors. Prior to establishing our Group, Mr. Michael Shi was previously involved in his family business which was engaged in the building construction industry and saw opportunities in the underground pipeline engineering business.

Mr. Michael Shi has been instrumental in our growth, development and success, and has been crucial to building our established and credible track record over the years. Under his leadership, we have steadily developed and grown our business from a gas pipeline engineering service provider, to an all-rounded pipeline infrastructure services provider spanning the various fields of gas, water, telecommunications and power, providing a comprehensive range of services for customers.

We began using polyethylene pipes in laying gas distribution pipelines for industrial and residential developments, and the design and laying of high pressure steel mains for GTP projects in the late 1990s at Jurong Island. In 2000, our major operating subsidiary changed its name to “HSC Pipeline Engineering Pte Ltd” in order to develop our brand recognition, and expanded into water, telecommunications, cable and other pipeline infrastructure fields in order to diversify our revenue streams. We were awarded the contract for the laying of pipes for the NEWater pipeline in Stamford Canal in 2005 as well as district cooling pipeline project at Biopolis in 2005 in Singapore. In late 2005, we were awarded a contract to build pipeline connecting gas offtake stations to regulate and reduce gas pressure for downstream customers. The gas offtake stations also consisted of launching and receiving stations for pigging for regular maintenance. We ventured into our first telecommunications cable project in 2009 and secured our first power cable installation turnkey project in May 2018. In 2011, Mr. Shane Shi, who has a degree in mechanical engineering, joined us and later became our Executive Director in 2018.

We are principally engaged in the provision of gas, water and telecommunications pipeline engineering services to major utilities companies, and were one of only 12 companies in Singapore as at the Latest Practicable Date which have obtained a “L6” grade in the workhead CR07 for cable/pipe laying and road reinstatement. Please see “Business” of this prospectus for further details of our business.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our business milestones

The following is a list of key milestones in our founding and development:

Date	Milestone
February 1996	Started our water pipeline construction business by constructing water pipelines for a government utilities company
January 1998	Awarded our first contract for the supply and laying of polyethylene gas mains for local industrial and residential developments
March 1999	Awarded the tender for approximately S\$5.2 million to design and lay high pressure steel mains for gas transmission pipeline projects at Jurong Island
May 2000	Acquired two flatted units at 10 Admiralty Street #04–32 and #04–33 Singapore 757965 for warehouse and office use for our business expansion
November 2005	Ventured into the chilled water pipeline construction business by constructing district cooling pipelines in Biopolis
October 2010	Acquired our current headquarter at 36 Sungei Kadut Avenue Singapore 729661 in order to consolidate our business operations into a single premise, for efficiency and to cater for further growth
March 2011	Awarded a contract for construction of a high pressure gas transmission pipeline over a length of 1.55km as part of the Submarine Gas Transmission Pipeline Project from the Singapore mainland to Jurong Island
April 2013	Obtained the highest “L6” grade in the Contractors Registration System in workhead CR07 for cable/pipe laying and road reinstatement
October 2014	Commenced the provision of our own pipe-jacking services to our customers
February 2016	Awarded a contract to carry out a double-double stopple (hot-tapping at four different locations on a live gas line) for a high pressure gas transmission pipeline
December 2017	Diversified into the solar panel installation industry with our solar panel installation project of approximately S\$0.5 million
May 2018	Diversified into the power cable installation industry with our power cable installation project of approximately S\$4.7 million

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate history

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 17 July 2018 under the name of Astute Prosper Holding Limited 敏昌控股有限公司. Our Company changed its name from Astute Prosper Holding Limited 敏昌控股有限公司 to Pipeline Technologies Holdings Limited 管道科技控股有限公司 with effect from 15 August 2018 and subsequently on 22 August 2018, we further changed our name to Pipeline Engineering Holdings Limited 管道工程控股有限公司. As at the Latest Practicable Date, our Company had an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each. As part of the Reorganisation, our Company became the ultimate holding company of our Group.

A summary of the corporate history of our major operating subsidiary of our Group is set out below:

HSC Pipeline Engineering

HSC Pipeline Engineering was incorporated as a private limited company in Singapore on 13 January 1993 with a share capital of S\$2 divided into two ordinary shares at an issue price of S\$1 per share, which were issued to our co-founders, Mr. Michael Shi and Mr. Shi Guan Lee, respectively. On 10 February 1993, HSC Pipeline Engineering issued 99,998 ordinary shares, at an issue price of S\$1 per share, to Mr. Michael Shi and Mr. Shi Guan Lee as to 74,999 shares and 24,999 shares, representing approximately 75.0% and 25.0% of the total issued shares, respectively, for capital injection.

On 6 January 1995, HSC Pipeline Engineering issued a total of 200,000 ordinary shares at S\$1 per share, to Mr. Michael Shi, Mr. Shi Guan Lee, and our then-newly appointed director, Mr. Shi Guan Hin as to 75,000 shares, 50,000 shares and 75,000 shares, respectively. Mr. Michael Shi, Mr. Shi Guan Lee and Mr. Shi Guan Hin are siblings. As a result of the allotments, HSC Pipeline Engineering was held as to 50.0%, 25.0% and 25.0%, by Mr. Michael Shi, Mr. Shi Guan Lee and Mr. Shi Guan Hin, respectively. On 25 August 1997, HSC Pipeline Engineering issued another 200,000 ordinary shares at S\$1 per share, on a pro rata basis, to Mr. Michael Shi, Mr. Shi Guan Lee and Mr. Shi Guan Hin as to 100,000 shares, 50,000 shares and 50,000 shares, respectively.

Due to personal reasons, Mr. Shi Guan Lee decided to transfer all his 125,000 ordinary shares in HSC Pipeline Engineering to Mr. Michael Shi and Ms. Oh Lay Guat (the spouse of Mr. Michael Shi) as to 124,999 shares and 1 share, respectively, on 23 November 1999 at a nominal consideration of S\$1 for each transfer. As a result of the share transfer, HSC Pipeline Engineering was held as to approximately 74.9%, 25.0% and 0.1% by Mr. Michael Shi, Mr. Shi Guan Hin and Ms. Oh Lay Guat, respectively.

In 1999, HSC Pipeline Engineering's business had expanded and it was expected that further funds would be required from its shareholders (either by way of capital injection or Shareholders' loan) for continued growth and expansion. On 15 November 2000, HSC Pipeline Engineering's authorised share capital was increased to S\$1,000,000.00 divided into 1,000,000 ordinary shares of S\$1 each and an additional 500,000 ordinary shares at S\$1 per share were issued to Mr. Michael Shi. As a result, HSC Pipeline Engineering was held approximately 87.4%, 12.5% and 0.1% by Mr. Michael Shi, Mr. Shi Guan Hin and Ms. Oh Lay Guat, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 18 September 2010, Mr. Michael Shi acquired all of the 125,000 ordinary shares of HSC Pipeline Engineering held by Mr. Shi Guan Hin's estate at an aggregate consideration of S\$450,000 in order to manage the business of HSC Pipeline Engineering more effectively. Consequently, HSC Pipeline Engineering was held approximately 99.9% and 0.1% by Mr. Michael Shi and Ms. Oh Lay Guat, respectively.

On 18 April 2011, HSC Pipeline Engineering capitalised S\$500,000 out of its retained earnings for the purpose of issuing 500,000 bonus shares to Mr. Michael Shi. Consequently, HSC Pipeline Engineering was held approximately 99.9% and 0.1% by Mr. Michael Shi and Ms. Oh Lay Guat, respectively.

As part of the Reorganisation, on 10 May 2018, Ms. Oh Lay Guat transferred one share of HSC Pipeline Engineering, representing all her shareholding interest, to Mr. Michael Shi for S\$1. As a result, HSC Pipeline Engineering was held by Mr. Michael Shi as to 100%. On 14 February 2019, Mr. Michael Shi entered into a sale and purchase agreement with our Company, pursuant to which Mr. Michael Shi transferred his equity interest in the issued share capital of HSC Pipeline Engineering, representing the entire issued share capital of HSC Pipeline Engineering to our nominee, IVL, in consideration of our Company allotting and issuing 99 Shares to APL (as nominee of Mr. Michael Shi), credited as fully paid and crediting as fully paid the initial Share held by APL.

Upon completion of the Reorganisation, HSC Pipeline Engineering is an indirect wholly-owned subsidiary of our Company.

REORGANISATION

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

1. Transfer of one share in HSC Pipeline Engineering from Ms. Oh Lay Guat to Mr. Michael Shi

On 10 May 2018, Ms. Oh Lay Guat transferred one share of HSC Pipeline Engineering, representing all her shareholding interest in HSC Pipeline Engineering, to Mr. Michael Shi for S\$1.

2. Incorporation of our Company

On 17 July 2018, our Company, which will act as the holding company of the companies comprising our Group, was incorporated as an exempted company in the Cayman Islands. As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one nil-paid Share was allotted and issued to the initial subscriber and subsequently transferred to APL on the same date. On 13 August 2018 and 22 August 2018, our Company passed a special resolution to change its name from “Astute Prosper Holding Limited 敏昌控股有限公司” to “Pipeline Technologies Holdings Limited 管道科技控股有限公司”, and from “Pipeline Technologies Holdings Limited 管道科技控股有限公司” to “Pipeline Engineering Holdings Limited 管道工程控股有限公司”, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our Company was registered in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as a non-Hong Kong company on 23 January 2019 and obtained the business registration certificate under Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) on 4 January 2019.

3. Incorporation of IVL

On 10 July 2018, IVL was incorporated in the BVI with limited liability. As at the date of incorporation, IVL was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 1 August 2018, one share of IVL was allotted and issued to our Company for the consideration of US\$1.00.

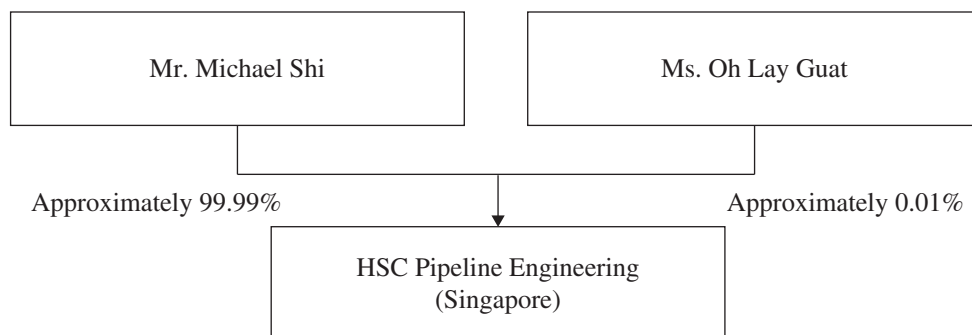
4. Transfer of HSC Pipeline Engineering to IVL

On 14 February 2019, Mr. Michael Shi and our Company entered into a sale and purchase agreement, pursuant to which, Mr. Michael Shi transferred his entire shareholding interest in HSC Pipeline Engineering to our nominee, IVL. The consideration is settled by us allotting and issuing 99 Shares in our share capital to APL credited as fully paid at the direction of Mr. Michael Shi and crediting the initial Share held by APL as fully paid.

CORPORATE STRUCTURE

Immediately before the Reorganisation

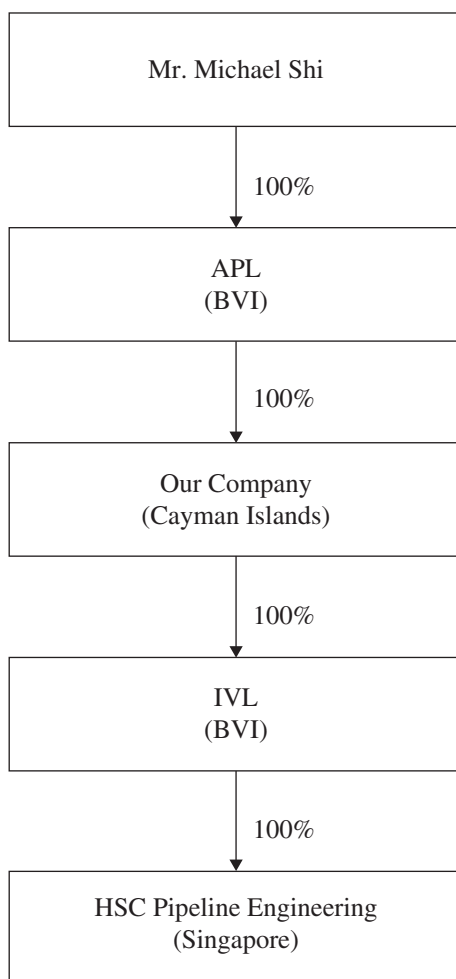
The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Immediately after the Reorganisation but before the completion of the Capitalisation Issue and the Share Offer

The following diagram illustrates the corporate and shareholding structure of our Group immediately after the Reorganisation but before the completion of the Share Offer and the Capitalisation Issue (without taking into account the allotment and issue of our Shares upon the exercise of the Over-allotment Option or options to be granted under the Share Option Scheme):



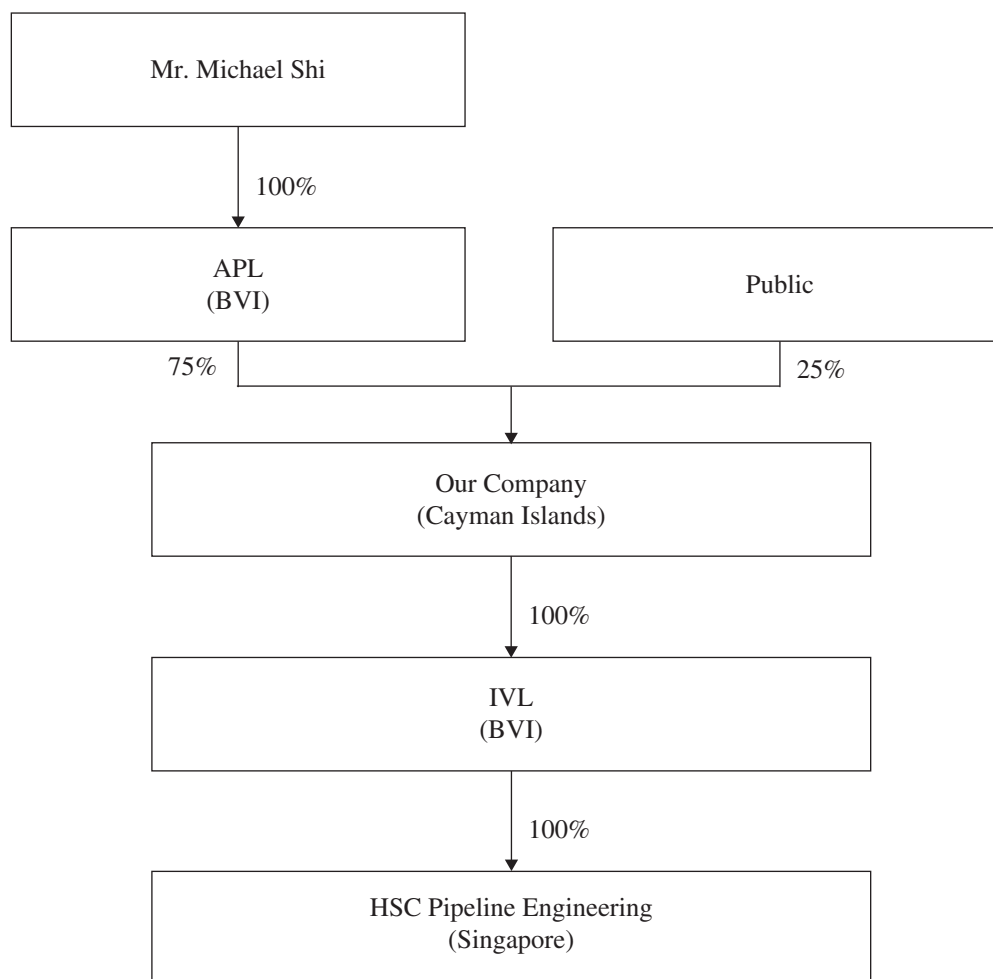
Capitalisation Issue and Share Offer

Conditional upon the crediting of our Company's share premium account as a result of the issue of our Shares pursuant to the Share Offer, an amount of HK\$6,899,999 standing to the credit of the share premium account of our Company will be capitalised by applying such sum towards paying up in full at par a total of 689,999,900 Shares for the allotment and issue to the then existing Shareholder.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Immediately following completion of the Capitalisation Issue and the Share Offer

The following diagram illustrates the corporate and shareholding structure of our Group immediately after the completion of the Capitalisation Issue and the Share Offer and without taking into account the allotment and issue of Shares upon the exercise of the Over-allotment Option or options to be granted under the Share Option Scheme:

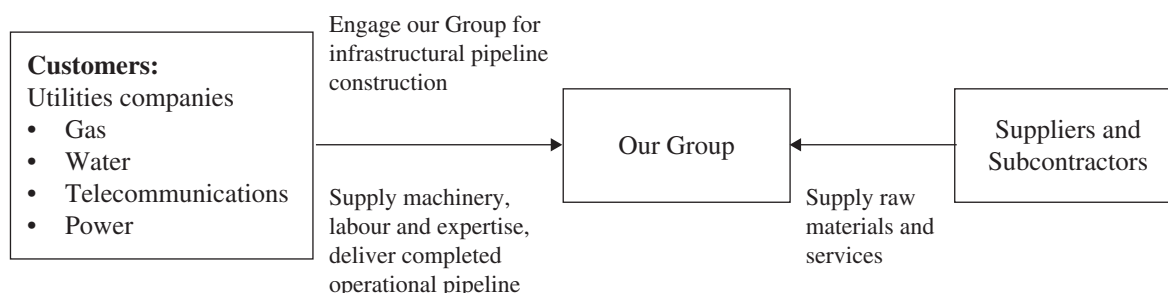


OVERVIEW

We are principally a main contractor specialising in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries in Singapore with over 26 years of track record. Since our inception, we have successfully completed numerous gas and water pipeline projects, as well as telecommunication cable projects for private and public utilities companies in Singapore. Our contracts are on a project basis. Our experienced Executive Directors and senior management team led by Mr. Michael Shi, have contributed to the growth of our Group over the years as we have established ourselves as an industry leader in Singapore. According to the F&S Report, we ranked third in the overall infrastructural pipeline engineering market and ranked second in the gas pipeline engineering market in Singapore for the year ended 31 March 2018 in terms of revenue.

Our strength lies in our capability in laying gas pipelines. We first involved in using polyethylene pipes in laying gas distribution pipelines for industrial and residential developments and the design and laying of high pressure steel mains for GTP projects in the late 1990s at Jurong Island. We were first awarded the contract for NEWater pipeline project in Stamford Canal in 2005 as well as the district cooling pipeline project at Biopolis in 2005 in Singapore. We later ventured into our first telecommunications cable project in 2009 and secured our first power cable installation turnkey project in May 2018. Since December 2017, we participated in a solar panel installation project for the first time. Our extensive track record shows our capabilities to lay pipelines of different steering, pipe diameters or other requirements for different industries. We ensure that work is completed with as little disruption as possible, even in urban areas with high traffic flow or housing areas, in a fully safe and efficient manner. Our projects are generally awarded through a competitive tender process, either via GeBIZ by the Singapore government agencies or tenders posted on our customers' own online portal or through invitation.

Our contracts are typically in the form of (i) turnkey contracts where we will be responsible to complete the entire project and hand it over in a fully operational form to our customers; or (ii) term contracts whereby we render services according to work orders placed by our customers during the duration of a fixed contract. We are mainly responsible for providing engineering services with necessary machinery, labour and expertise for the pipeline engineering projects under turnkey contracts or term contracts. During the Track Record Period, there had not been any change in the business focus of our Group. The following diagram illustrates our business model as at the Latest Practicable Date:



BUSINESS

During the Track Record Period, our Group had completed 18 projects in relation to the provision of infrastructural pipeline construction and related engineering services. Our revenue for the provision of infrastructural pipeline construction and related engineering services for the three years ended 31 March 2018 and the six months ended 30 September 2018 amounted to approximately S\$29.5 million, S\$28.4 million, S\$23.4 million and S\$14.1 million, respectively.

The table below sets forth our revenue by type of projects during the Track Record Period:

	For the year ended 31 March				For the six months ended 30 September 2018			
	2016		2017		2018		2018	
	As a percentage of total revenue		As a percentage of total revenue		As a percentage of total revenue		As a percentage of total revenue	
	Revenue S\$'000	%	Revenue S\$'000	%	Revenue S\$'000	%	Revenue S\$'000	%
Gas pipeline	20,942	71.0	21,053	74.1	13,337	56.9	2,731	19.3
Water pipeline	5,675	19.2	6,116	21.5	9,066	38.7	6,374	45.1
Cable installation (Note)	2,885	9.8	1,239	4.4	1,016	4.4	5,036	35.6
Total	29,502	100.0	28,408	100.0	23,419	100.0	14,141	100.0

Note: Cable installation includes cable installation projects for telecommunications and power utilities companies, as well as those relating to the installation of solar panels.

Our customers comprise mainly (i) gas, water, telecommunications and power utility companies in the private sector; and (ii) Singapore government agencies such as those governing water utility and catchment in the public sector. During the Track Record Period, approximately 80% of our revenue was contributed by our private sector customers in the utilities industry, while the remaining being the Singapore government agencies. The following table sets forth a breakdown of our revenue by category of customers during the Track Record Period:

	For the year ended 31 March				For the six months ended 30 September 2018			
	2016		2017		2018		2018	
	As a percentage of total revenue		As a percentage of total revenue		As a percentage of total revenue		As a percentage of total revenue	
	Revenue S\$'000	%	Revenue S\$'000	%	Revenue S\$'000	%	Revenue S\$'000	%
Private sector	25,208	85.4	22,954	80.8	16,372	69.9	10,308	72.9
Public sector	4,294	14.6	5,454	19.2	7,047	30.1	3,833	27.1
Total	29,502	100.0	28,408	100.0	23,419	100.0	14,141	100.0

BUSINESS

We pride ourselves with our competitive advantage in managing and executing 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 infrastructural pipeline construction for gas, water, telecommunications and power industries. We undertake our projects in the capacity of both main contractor and subcontractor. During the Track Record Period, over 94% of our revenue was derived in our capacity acting as main contractor in infrastructural pipeline projects.

As at the Latest Practicable Date, our Group held a number of licences and registrations which enable us to carry on our businesses. In particular, we are registered under the workheads CR07 (Cable/Pipe laying and road reinstatement) in the Contractors Registration System with a “L6” grade and CW02 (Civil engineering) in the Contractors Registration System with a “B2” grade, which allow us to tender for pipeline engineering and civil engineering projects in the public sector in Singapore of unlimited values and up to S\$13 million, respectively. As at the Latest Practicable Date, we were one of the 12 companies registered under the workhead CR07 (Cable/Pipe laying and road reinstatement) in the Contractors Registration System with a “L6” grade. We also hold a GB1 Licence granted under the Builders Licensing Scheme, which allows us to undertake general building contracts of any value in Singapore. See section headed “Regulatory overview — Business qualifications and licences” for further details of our licences and registrations.

As at the Latest Practicable Date, our staff force reached around 300, and we had over 50 motor vehicles and machinery such as excavators, tipper trucks, 10-footer and 14-footer lorries, butt-fusion machines and electrofusion machines, plate compactors, road cutters and jacking machines to perform various scope of works required in our projects. Our investment in machinery enables us to provide infrastructural pipeline construction and related engineering services of different scales and complexity. For the three years ended 31 March 2018 and the six months ended 30 September 2018, we acquired new motor vehicles and machinery in an aggregate amount of approximately S\$3.5 million, S\$1.0 million, S\$0.5 million and S\$2.4 million respectively. As at 30 September 2018, the net book value of our motor vehicles and machinery was approximately S\$3.3 million and S\$5.6 million respectively. See section headed “Machinery and equipment” for further details of our vehicles and machinery which are crucial to our operations.

OUR BUSINESS MODEL

Pipeline engineering services and solutions

We provide pipeline engineering services and solutions mainly to private and public utilities companies in the gas, water, telecommunications and power industries in Singapore. We design, procure, supply, deliver, install, lay, construct, test and commission pipelines of different steering and pipe diameters to produce a complete, safe, economical and workable pipeline systems for our customers within the scheduled time frame. Our wide range of pipeline installation services range from high to low pressure gas and water mains in steel, ductile iron or polyethylene materials. We also lay and install cable for telecommunications and power utilities companies as well as install solar panels for our customers. Our contracts are typically in the forms of (i) turnkey contracts where we will be responsible to complete the entire project and hand it over in a fully operational form to the customers; or (ii) term contracts whereby we render services according to work orders placed by our customers during the

duration of a fixed contract. Under the term contracts, our revenue is based on work orders in a fixed contract duration. The original contract sum is only an indication and does not represent the actual revenue to be recognised. There is also no minimum work order commitment from our customers.

We design and build underground pipelines where we conduct feasibility study, comprehensive trial holes with surveyed coordinates of existing services. Upon the collection of vital information, we design a pipeline profile in accordance to the latest regulations. Our comprehensive scope of services mainly include as follows:

- (i) ***permit applications and obtaining approvals:*** we will engage licensed cable detection worker to assist us, which engagement is acknowledged by our customers. Such licensed cable detection worker and telecommunication cable detection worker are to identify at the relevant sites the services reflected on the services plan. We also submit cable detection drawings and such other relevant documents and applications to various service providers. We may also be required to submit and obtain regulatory approvals to carry out shaft construction and pipe jacking works. After obtaining approval from various service providers, we will notify them, as well as notifying and obtaining the relevant approvals from other public authorities including but not limited to the LTA, NParks and HDB before commencement of works if our works are in their zones;
- (ii) ***feasibility study:*** we will conduct feasibility study and submit report for any possibilities or potential interferences and strays along the pipeline route;
- (iii) ***construct the pipeline according to approved design:*** we will carry out excavation and shoring according to the professional engineer design, jointing, backfilling and reinstatement according to the LTA standard. Some contracts may require us to provide pipe jacking works that involve pipe jacking of precast reinforced concrete pipes of a certain diameter in size including boring machine delivery, equipment setup, supply of pipe casing, excavation, jacking and receiving pits, thrust wall and jacking rig reaction surface, ground treatment, grouting, guidance, lubrication, spoil removal and settlement monitoring;
- (iv) ***testing and commissioning:*** we will conduct testings according to their respective contract specification. Generally, the testings that we carried out include material factory acceptance test to check that the materials comply with the project specification before delivery to the site for installation. After site assembly, a material site acceptance test is carried out on the materials before actual site installation. An overall testing will then be carried out to ensure that every pipeline will be tested according to project specification. We will then submit all of the testing reports. Upon obtaining approval from our customers, we will assist them to commission the newly installed pipeline under the customer's instruction or supervision.

Prior to commencing our infrastructural pipeline construction and related engineering services, we typically will submit the proposed route plans and long section profile to the customers for acceptance. We will also investigate and check the construction area, study and determine the effective traffic control plan to avoid or minimise traffic disturbances and inform and obtain approvals from relevant authorities. After all obstructions cleared, construction of pipeline will commence according to the drawings and specifications of the contract. After laying of pipelines is completed, we will carry out

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post construction survey of including but not limited to as-built levels, routes and alignments of the pipeline installation works. We will then backfill the affected area, reconstruct the road, footpath or kerb, and reinstate all traffic signs and road markings to their original positions.

The table below sets forth our revenue by type of projects during the Track Record Period:

	For the year ended 31 March				For the six months ended 30 September			
	2016		2017		2018		2018	
	<i>As a</i>		<i>As a</i>		<i>As a</i>		<i>As a</i>	
	<i>percentage</i>		<i>percentage</i>		<i>percentage</i>		<i>percentage</i>	
	<i>of total</i>		<i>of total</i>		<i>of total</i>		<i>of total</i>	
	<i>Revenue</i>	<i>revenue</i>	<i>Revenue</i>	<i>revenue</i>	<i>Revenue</i>	<i>revenue</i>	<i>Revenue</i>	<i>revenue</i>
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Gas pipeline	20,942	71.0	21,053	74.1	13,337	56.9	2,731	19.3
Water pipeline	5,675	19.2	6,116	21.5	9,066	38.7	6,374	45.1
Cable installation <i>(Note)</i>	<u>2,885</u>	<u>9.8</u>	<u>1,239</u>	<u>4.4</u>	<u>1,016</u>	<u>4.4</u>	<u>5,036</u>	<u>35.6</u>
Total	<u>29,502</u>	<u>100.0</u>	<u>28,408</u>	<u>100.0</u>	<u>23,419</u>	<u>100.0</u>	<u>14,141</u>	<u>100.0</u>

Note: Cable installation includes cable installation projects for telecommunications and power utilities companies, as well as those relating to the installation of solar panels.

Our revenue from the provision of infrastructural pipeline construction and related engineering services for the three years ended 31 March 2018 and the six months ended 30 September 2018 amounted to approximately S\$29.5 million, S\$28.4 million, S\$23.4 million and S\$14.1 million, respectively. During the Track Record Period, we derived most of our revenue from gas and water utilities companies. However, we are gradually expanding our foothold into telecommunications and power industries. During the Track Record Period, our Group had completed 18 projects in relation to the provision of infrastructural pipeline construction and related engineering services.

Our services

Some examples of our infrastructural pipeline construction and related engineering services rendered during the Track Record Period and up to the Latest Practicable Date are as follows:

(1) Gas pipelines

(i) High pressure gas transmission pipelines



We provide end-to-end commissioning systems for high pressure gas pipeline systems. The pipeline links up to power generation stations with intermediate offtake stations.

(ii) High pressure hot tapping operations



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Our high pressure hot tapping operations enable our customers to add branch connections to existing pipelines without leakage and interruption to the flow, enabling us to perform line stopping and divert the course of all types of pipelines within a short period of time.

(iii) Medium pressure or low pressure gas distribution pipelines

We design, construct and commission the medium pressure gas distribution pipeline for industrial customers and low pressure gas distribution pipelines for residential customers.

(2) Water pipelines

(i) Water pipelines to bring water to industrial, commercial and residential areas in Singapore



We conduct feasibility studies and detailed design of the water pipeline for industrial, commercial and residential areas in Singapore, which is then followed by procurement, construction and management of the project. Upon completion of construction, we also take on the responsibility of commissioning the water pipeline.

(ii) District cooling systems



District cooling systems are energy saving solutions to major buildings as compared to the traditional water condenser system. We are able to design and engineer the cooling systems to serve various customers including the Changi Business Park and Mediapolis.

(3) Cable installation

(i) Telecommunication cable installation and engineering in the expansion of telecommunication networks



We design, plan and build telecommunication cable systems for major telecommunications providers in Singapore.

(ii) Power cable installation in the West, North and East zones

We design, plan and build power cable systems for the West, North and East zones in Singapore.

(iii) Installation of solar panels



We install solar panels for customers since December 2017.

Our capabilities

We are equipped with the following capabilities to support our infrastructural pipeline construction and related engineering services:

(i) Cold bending for steel pipelines



Our cold bending machine bends up to 700 mm diameter steel pipes to fit any environment and planning design. We are able to bend up to 15 degrees per bend to allow us to avoid any minor obstructions in the pipe alignment.

(ii) Cold cutting for steel pipelines



Our cold cutting of up to 700 mm diameter of steel gas pipe allow us to minimise any risk of fire when cutting existing gas pipes. This is a safer and preferred way of cutting gas pipe as compared to the traditional oxy-acetylene cut.

(iii) Shaft construction



Typical sheetpiling shaft construction is noisier and prone to services damage if trial holes had not been conducted properly. We provide caisson shaft construction that reduces the vibrational and noise hazards to the surrounding buildings and sensitive structures.

(iv) Pipe jacking operation



Pipe-jacking is a method for installing jacking pipes that serves as initial construction lining and excavation support, installed for stability and safety during construction. The pipe is shoved forward (or jacked) as the excavation is advanced. As the underground services network get increasingly complex, pipe jacking enables us to undercross any obstacles. We provide pipe jacking services for various usages up to 2.2 metres in diameter.

During the Track Record Period, we had completed 18 infrastructural pipeline construction and related engineering services projects, most of them were projects secured from utilities companies. During the Track Record Period, the duration for us to complete our pipeline engineering services and solutions projects ranged from 5 months to 49 months. The contract values of the completed pipeline engineering services and solutions projects during the Track Record Period ranged from approximately S\$25,000 to approximately S\$30.0 million.

As at the Latest Practicable Date, we had 17 ongoing pipeline engineering services and solutions projects with an aggregate contract value of approximately S\$82.6 million, of which approximately S\$35.8 million has been recognised as revenue during the Track Record Period. Most part of the remaining balance of approximately S\$16.5 million and S\$30.0 million are expected to be recognised as our revenue for the two years ending 31 March 2020 respectively, while the remaining sum of approximately S\$0.3 million will be recognised after the year ending 31 March 2020.

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Completed infrastructural pipeline construction and related engineering services projects during the Track Record Period with a contract value above S\$3.0 million

Completed infrastructural pipeline construction projects refer to projects with certificate of substantial completion obtained by us during the Track Record Period. The following table sets out the details of the infrastructural pipeline construction and related engineering services projects completed by us during the Track Record Period with contract value above S\$3.0 million:

Project #	Customer	Scope of works	Duration	Contract value (Note) S\$'million	Revenue recognised				Track Record Period	Gross profit margin during the Track Record Period
					For the year ended 31 March			For the six months ended 30 September		
					2016	2017	2018	2018		%
					S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Gas										
#1	Customer A	Turnkey contract for laying and commissioning of gas transmission pipeline from Choa Chu Kang Way to Mandai Road	17 September 2013 to 6 October 2015	9.3	668	378	13	—	1,059	30.8
#2	Customer A	Term contract for supplying, laying and slip-lining of gas mains and services for mains renewal, rehabilitation and reinforcement, diversions and other minor works for East Area 1	7 November 2013 to 16 September 2016	3.4	1,022	211	—	—	1,233	2.6
#3	Customer A	Turnkey contract for laying and commissioning of gas mains transmission pipeline from Mandai Road to Woodlands Avenue 10	30 July 2014 to 12 September 2017	30.0	14,098	7,292	3,251	—	24,641	23.6
#4	Customer A	Turnkey contract for the diversion of town gas transmission pipeline along Lornie Road	6 November 2014 to 29 March 2018	7.2	2,208	2,406	2,035	—	6,650	32.6

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Project #	Customer	Scope of works	Duration	Contract value (Note) S\$'million	Revenue recognised				Track Record Period S\$'000	Gross profit margin during the Track Record Period %
					For the year ended 31 March			For the six months ended		
					2016	2017	2018	30 September 2018		
					S\$'000	S\$'000	S\$'000	S\$'000		
#5	Customer A	Term contract for the supplying, laying and slip-lining of gas mains and services for mains renewal, rehabilitation and reinforcements, diversions and other minor works in East Area 1 and Area 2	11 August 2015 to 11 May 2018	6.2	2,689	3,309	245	—	6,243	29.0
#6	Customer A	Term contract for the supply and laying of gas mains and services for HDB and diversion in Area 3	28 March 2016 to 11 April 2018	4.0	1	3,144	854	—	4,000	21.4
Water										
#7	Customer B	Turnkey contract for proposed engineering, procurement, construction and commissioning of extension of Dcs reticulation pipe in Mediapolis, Singapore	26 December 2013 to 15 December 2017	3.9	187	111	71	—	369	49.9
#8	Customer C	Term contract for minor drainage repair works in Singapore	7 October 2014 to 24 January 2017	7.3	4,294	2,476	23	—	6,793	0.6
Cable										
#9	Customer D	Term contract for manhole construction, pipe/duct installation and road reinstatement works for duct services East Area 1 and 2	25 April 2014 to 11 May 2018	3.5	1,978	676	27	—	2,681	3.3

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

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Ongoing infrastructural pipeline construction and related engineering services projects as at 30 September 2018 with contract value above S\$3.0 million

Project #	Type of customer	Scope of works	Duration (Note 1)	Percentage of completion as at 30 September 2018	Contract value (Note 2) S\$'million	Revenue recognised				Track	Record Period	Revenue to be recognised			Gross profit margin during due Track Record Period %
						For the year ended 31 March		For the six months ended 30 September				For the six months ending 31 March 2019	For the year ending 31 March 2020		
						2016 S\$'000	2017 S\$'000	2018 S\$'000	2018 S\$'000			S\$'000	S\$'000		
Gas															
#10	Customer A	Term contract for gas transmission pipelines and facilities project works	5 January 2016 to 31 May 2018	100% (Note 3)	5.2	117	2,514	2,364	255	5,250	—	—	—	18.0	
#11	Customer A	Term contract for bulk excavation, supply and laying of gas mains and services and reinstatement of road trenches in Area 1	19 December 2016 to 18 December 2018	84.8%	3.0	—	379	1,742	763	2,884	116	—	—	51.9	
#12	Customer A	Term contract for bulk excavation, supply and laying of gas mains and services and reinstatement of road trenches in Area 2	3 July 2017 to 2 January 2019	62.1%	3.0	—	—	1,211	1,172	2,383	617	—	—	51.9	
#18	Customer A	Term contract for supplying and laying of gas mains and services	3 September 2018 to 2 September 2019	20.4%	16.1	—	—	—	428	428	2,255	13,415	—	20.4	
#19	Customer A	Term contract for supplying and laying of gas mains and services	3 September 2018 to 2 September 2019	20.3%	7.5	—	—	—	36	36	1,219	6,274	—	20.3	
Water															
#13	Customer B	Turnkey contract for the proposed engineering, procurement, construction and commissioning of pipe reticulation works at One-North Development, Singapore (MP8)	2 January 2018 to 15 December 2018	73.1%	3.0	—	—	687	1,804	2,492	508	—	—	39.7	
#14	Customer C	Turnkey contract for the proposed 800mm diameter pipeline from Pioneer Road to Tuas South Ave 5 and along Tuas South Boulevard	20 July 2016 to 19 July 2019	59.7%	18.8	—	2,978	7,024	1,876	11,878	6,142	781	—	33.0	
#15	Customer E	Turnkey contract for the proposed 1600 mm diameter pipeline from Aye. Henderson Road to River Valley Road	17 August 2017 to 16 August 2019	10.9%	6.0	—	14	552	311	877	1,221	3,914	—	28.0	
#16	Customer C	Term contract for water main repairs and other contract work for network services (East)	30 April 2018 to 29 April 2021	10.0%	4.5	—	—	—	1,958	1,958	292	2,250	—	18.0	
Cable															
#17	Customer F	Turnkey contract for Cable installation turnkey projects II (West, North and East Zones)	15 May 2018 to 14 November 2018	12.4%	4.7	—	—	—	3,413	3,413	1,259	—	—	20.0	

Notes:

- (1) The end date of the duration is either that stated in the contract or estimated based on current project progress.
- (2) The contract value includes additional works or variation orders (where applicable).
- (3) The works under this term contract have been substantially completed but certificate of substantial completion has yet to be issued as at 30 September 2018.

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New infrastructural pipeline construction and related engineering services projects secured from 1 October 2018 up to the Latest Practicable Date

The following table sets forth our new infrastructural pipeline construction and related engineering services projects secured from 1 October 2018 up to the Latest Practicable Date with contract value above S\$2.0 million:

Project #	Type of customer	Scope of works	Contract value (Note) S\$ million	Duration	Revenue to be recognised after the Track Record Period	
					For the six months ending 31 March 2019 S\$'000	For the year ending 31 March 2020 S\$'000
#20	Customer A	Supply, laying, installation and connection of gas mains and services	2.9	7 November 2018 to 31 May 2020	638	1,913
#21	Customer A	Service for in-line inspection	2.7	1 December 2018 to 31 November 2021	1,408	1,290

Note: The contract value excludes additional works or variation orders.

The following table sets out the movement of the number of infrastructural pipeline construction and related engineering services projects based on revenue recognition of our Group (regardless of the issuance of certificate of substantial completion) during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September
	2016	2017	2018	2018
Number of projects brought forward from prior year/period	16	19	22	10
Number of new projects that contributed to revenue during the year/period	5	6	6	6
Number of projects completed during the year/period	(2)	(3)	(18)	(2)
Number of projects carried forward to next year/period	19	22	10	14

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The following table sets out the movement of the contract values of our infrastructural pipeline construction and related engineering services projects based on revenue recognition of our Group (regardless of the issuance of certificate of substantial completion) during the Track Record Period:

	For the year ended 31 March			For the six months ended
	2016	2017	2018	30 September 2018
	S\$'million	S\$'million	S\$'million	S\$'million
Outstanding contract value as at the beginning of the year/period	45.1	33.5	35.9	20.6
Total value of new contracts secured during the year/period	17.9	30.8	8.1	34.6
Revenue recognised during the year/period	(29.5)	(28.4)	(23.4)	(14.1)
Outstanding contract value as at the end of the year/period	33.5	35.9	20.6	41.1

COMPETITIVE STRENGTHS

Our proven track record and experienced Directors and management team have enabled us to build a presence in the infrastructural pipeline construction and related engineering services industry. We believe that our competitive strengths set out below have driven growth in our business and financial performance.

We are a leading infrastructural pipeline engineering contractor in Singapore with an established track record and over 26 years of experience

According to the F&S Report, we ranked third in the overall infrastructural pipeline engineering market and ranked second in the gas pipeline engineering market in Singapore for the year ended 31 March 2018 in terms of revenue. We have over 26 years of experience in the infrastructural pipeline construction and related engineering services industry to carry out pipeline laying works in Singapore with an established track record. As at the Latest Practicable Date, we were one of the 12 companies registered under the workhead CR07 (Cable/Pipe laying and road reinstatement) in the Contractors Registration System with a “L6” grade, which allows us to tender for pipeline engineering projects in the public sector in Singapore of unlimited values. Over the years, we had participated in a number of high profile projects not only in the gas industry but also in the water industry including the high pressure steel mains for GTP projects at Jurong Islands to Causeway, NEWater pipeline in Stamford Canal as well as district cooling pipeline project at Biopolis in Singapore. We later ventured into our first telecommunications cable project in 2009 and secured our first power cable installation turnkey project in May 2018. Since December 2017, we started to diversify into solar panel installation projects.

Our Directors believe that our established track record and experienced management team are key factors that build up our reputation in the local infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries. We believe our

capabilities in execution of higher level of difficulty projects, innovative solutions, high quality control, safety commitment, competitive pricing and reliable services, which are factors for evaluation by our customers, have contributed to the success of our Group.

We have the capability to provide a wide range of infrastructural pipeline engineering services and solutions in a timely, reliably and profitably manner

We have the ability to handle various gas and water pipeline projects, as well as telecommunications and power cable projects involving a wide range of scope of services including pipe jacking works, shaft construction, cold cutting and cold bending of steel pipelines services for utilities companies in Singapore. We have invested in cold bending, cold cutting and pipe jacking machines to enable us to render such services internally to reduce subcontracting costs as part of our infrastructural pipeline construction and related engineering services.

As at the Latest Practicable Date, we had 17 tipper trucks, 33 10-footer and 14-footer lorries, 40 excavators and two pipe jacking machines which allow us to undertake large-scale infrastructural pipeline projects. See section headed “Machinery and equipment” for further details of our tipper trucks, excavators and pipe jacking machines which are crucial to our operations. Having our own machinery allows us to expediently deploy them to various locations as required and reduce the reliance on third party suppliers in rental of machinery which then allows us to have better control over the project schedule. We have the capacity to undertake several infrastructural pipeline projects and larger scale projects at the same time. We also have the capability to undertake projects with cold bending, cold cutting, shaft construction and pipe jacking requirements in-house as we also owned cold bending, cold cutting and pipe jacking machines. Given that pipe jacking machines are not readily available to be leased on a standalone basis at reasonable rental (as companies that own such machinery would rather subcontract the entire jacking works) or some lessors may impose a minimum rental period of a few months than we require for our projects or the rental costs may be too expensive rendering us not competitive in our tender, having our own pipe jacking machines have allowed us to render our infrastructural pipeline engineering services (which also require pipe jacking works) to our major customers, including Customer A and Customer C during the Track Record Period in a flexible manner without the need to be subject to onerous rental period. For the three years ended 31 March 2018 and the six months ended 30 September 2018, we acquired new machinery and motor vehicles in an aggregate amount of approximately S\$3.5 million, S\$1.0 million, S\$0.5 million and S\$2.4 million respectively. Our experience and resources in terms of manpower and machinery also allow us to provide the services to our customers in a timely and reliably manner. We also have an experienced in-house servicing team for our machinery to ensure that they are well maintained and operating efficiently.

Our experienced project department, overseen by our Executive Director, Mr. Shi Guan Lee, who has more than 26 years of experience in the infrastructural pipeline engineering industry and capable of handling large-scale projects, including analyses in tenders for potential projects, allow us to evaluate project’s 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 project department communicates closely to ensure that the technical, resource and scheduling challenges are addressed and monitored closely throughout the duration of the project. Our Directors believe that our ability to execute projects timely and profitably comes from our competencies and experience in various key aspects of project management, including (i) ability to budget costs accurately in accordance with the requirement of the tender; (ii) ability to plan and carry out the works in a cost and time effective

manner; and (iii) ability to undertake and/or manage our subcontractors to undertake various scope of works required in the pipeline engineering projects such as non-destructive testing, milling and patching works, and electrical works. 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. Furthermore, with a staff strength of around 300 employees as at the Latest Practicable Date, we are able to perform the majority of our scope of works in-house with relatively low reliance on subcontractors.

In addition, as at the Latest Practicable Date, we owned an industrial building located at 36, Sungei Kadut Avenue, Singapore 729661 with approximately 5,000 square metres which we use as head office, warehouse and dormitory. Our Directors believe that having our facilities under one roof enable us to operate our business efficiently as we can effectively monitor the whereabouts of our fleet of trucks and machineries as well as labour force in terms of their utilisation and capacity, which enable us to be able to manage our resources effectively. Therefore, this enhances our capability to execute our infrastructural pipeline projects efficiently and timely for our customers.

We have long-term relationship with our major customers, suppliers and subcontractors

Our customers comprise mainly (i) gas, water, telecommunications and power utilities companies in the private sector; and (ii) Singapore government agencies such as those governing water utility and catchment in the public sector. Our Group has maintained a long-term relationship with our major customers, suppliers and subcontractors, some of whom had worked with us for over 22 years. As far as our Executive Directors are aware, our customers have maintained internal evaluation system to track their contractor's performance, financial capability, reputation and certifications. We have been awarded by one of our top five customers as their top five contractors for civil engineering and construction related works for the period from 1 April 2017 to 31 March 2018. Our Directors believe that our track record with various utilities companies in the gas, water, telecommunications and power industries puts us in a competitive advantageous position in the course of tendering projects. As such, our proven timeliness, reliability, quality and safety track record would allow us to be evaluated favourably in future tenders. Our experience working with various utilities companies also allow us to be familiar with their requirements and again placed us in a better position when tendering for future projects. In addition, we maintain good relationship with our suppliers and subcontractors through strong communication on project-related matters, prompt payment and therefore, our suppliers and subcontractors have typically delivered the products and services to us on a timely basis which is consistent with our project schedule.

We have a dedicated management and project teams with extensive experience in the infrastructural pipeline engineering industry in Singapore

Our experienced management team under the leadership of our co-founder, Mr. Michael Shi, has contributed to our successful growth. He has also been committed in developing our business by reinvesting our profits generated from operations throughout the years into expanding our business growth. Mr. Michael Shi and our Executive Director and co-founder, Mr. Shi Guan Lee, each has over 26 years of experience in the infrastructural pipeline engineering industry, respectively while our Executive Director, Mr. Shane Shi, has over seven years of experience in the infrastructural pipeline engineering industry.

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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, which have contributed to our growth and success. Our Executive Directors are supported by experienced senior management team who has over 10 years of experience in the infrastructural pipeline engineering industry. Our project managers, Mr. Goh Yong Cheng and Mr. Kong Mun Kai each has over 25 years and 12 years of experience in the construction industry, respectively, and have been with our Group for over 12 years. Having an experienced management team is important to our business and enables us to (i) be aware of our competitive and market landscape; (ii) design our work programme and mobilisation plan effectively; (iii) manage our projects efficiently; and (iv) build on the experiences we had with our customers, suppliers and subcontractors. See section headed "Directors and senior management" of this prospectus for detailed work experience of our Directors and senior management team.

BUSINESS STRATEGIES

We aim to achieve sustainable growth and further strengthen our overall competitiveness and business growth in the market of infrastructural pipeline engineering in Singapore, particularly in the gas, water, telecommunications and power industries. To achieve this, our Directors plan to capture more opportunities by leveraging on our Group's competitive strengths and experience, by implementing the following business strategies:

Further capitalise our niche in infrastructural pipeline engineering industry to further develop our business opportunities in water pipeline and cable installation projects to grow our revenue

According to the F&S Report, the demand for various infrastructural pipeline engineering services is expected to grow at the CAGR of 5.1% from 2018 to 2022 due to continuous demand for residential, commercial and institutional developments such as Changi Airport and Tampines North New Town. In addition, the F&S Report estimated that, given the second phase of Deep Tunnel Sewerage System is expected to be completed in 2024, there will be establishment of a new water reclamation plant, with a series of sewer pipes and drains related projects to be built. There is also a consistent demand for sewer pipe works with regard to systematic check and inspection of old sewers in order to improve the overall treatment capacity of sewerage system, as well as rehabilitation works of old sewers. The F&S Report also estimated that the market size of power cable engineering in Singapore is anticipated to increase from S\$245.7 million in 2018 to S\$298.1 million in 2022 at a CAGR of 4.9% as driven by the growing demand for stable supply of power and cable installation. Therefore, given that we are a leading player in the infrastructural pipeline engineering market in Singapore in 2017 in terms of revenue, our Directors believe that this provides us with a strong foothold to further develop our business opportunities in the water pipeline and cable installation projects in Singapore. Our Directors believe that our track record with various private and public utilities companies in the gas, water, telecommunications and power industries puts us in a competitive advantageous position in the course of tendering projects. We have been awarded by one of our top five customers as their top five contractors for civil engineering and construction related works for the period from 1 April 2017 to 31 March 2018. As such, we plan to continue to capitalise on our competitive advantages by focusing in the gas industry, at the same time to proactively grow our business opportunities in water pipeline and cable installation projects by expanding our scale of operations.

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As such, we will pursue project opportunities with the view to:

- (i) increase the number of projects that we undertake, including taking on projects of similar nature and complexity as that we had undertaken during the Track Record Period. This is important because we understand that our customers will consider a contractor's track record before inviting a contractor for tender and/or when evaluating a contractor's tender proposal. As such, it is important to expand our existing project portfolio to stay relevant and continue to be considered as an established contractor by our customers; and
- (ii) expand our project portfolio to include more water pipelines and cable installation projects that we had not or less frequently undertaken during the Track Record Period. During the Track Record Period, out of the nine completed infrastructural pipeline construction projects with a contract value of above S\$3.0 million, only two and one project(s) related to water pipeline and cable installation projects respectively, with over 57% of our revenue during the three years ended 31 March 2018 was derived from customers in the gas industry. We had, in December 2017 and May 2018, been awarded with the first solar panel installation project and the first power cable installation turnkey project respectively. We will continue to take on more water pipeline and cable installation projects so as to establish a strong project track record which is important for our continual growth as well as to diversify risks in case of slower growth in a particular segment of the infrastructure pipeline industry and expand our project opportunities.

To this end, to cope with our expansion of business operations, we intend to hire additional two project managers, three project engineers, one safety officer, one safety coordinator and 11 site workers by using our own internal resources by 30 June 2019. The nature of our works is labour intensive, where manpower needs to be dedicated to review tender documents, perform material and labour costing, produce design drawings, manage and execute projects, and support project execution. These functions are typically difficult to automate, and to expand our operations, additional employees are planned to be employed gradually for the year ending 31 March 2020 based on the actual business needs of our Group.

Relocate to a new property to be acquired to be used as our new office, foreign worker dormitory and warehouse for our machinery to accommodate our expected business expansion

As at the Latest Practicable Date, we owned two properties including one leasehold property located at 36, Sungei Kadut Avenue, Singapore 729661, which has a floor area of approximately 5,000 square metres of which approximately 550 square meters is used as our headquarter for our office, approximately 2,150 square metres is used for car park and driveway, approximately 1,450 square meters is used for our warehouse and fabrication and the remaining approximately 820 square meters is used as dormitory.

(i) Operational needs for acquiring a new property

We acquired the said leasehold property in April 2011 at a consideration of S\$4.5 million, with the remaining lease term of approximately nine years, which we financed approximately 50% of the acquisition costs with a mortgage loan. The lease term of the said leasehold property will expire on 31 October 2020, in which event the property will be reverted back to JTC Corporation, the agency in Singapore to spearhead the planning, promotion and development of industrial landscape. JTC

Corporation has notified us of their plans for redevelopment of the area where our leasehold property is located, and will not be renewing the lease to us for any further term upon the expiry of the current lease term. Accordingly, we have to relocate to a new property upon the expiry of the lease term. Our remaining one property, which we owned as at the Latest Practicable Date, can only be used as office premises and is too small and unsuitable for our operations. As explained earlier, our Directors believe that having our facilities under one roof enables us to operate our business efficiently as we can effectively monitor and maintain the whereabouts of our fleet of trucks and machineries as well as labour force in terms of their utilisation and capacity, allowing us to manage our resources effectively. Therefore, this enhances our capability to execute our infrastructural pipeline projects efficiently and timely for our customers.

(ii) Business needs for a larger property

According to the F&S Report, the demand for various infrastructural pipeline engineering services is expected to grow at the CAGR of 5.1% from 2018 to 2022 due to continuous demand for residential, commercial and institutional developments, with the expected market size to demonstrate an upward trend, reaching approximately S\$1,661.0 million in 2022. It is also expected that (i) the gas pipeline sector will keep growing and reach approximately S\$155.7 million in 2022 with the government's efforts to construct new gas pipes to meet growing demand from residential, industrial and commercial sectors; (ii) the water pipeline segment will increase to S\$301.9 million in 2022 as upheld by the official department's target to realise greater water operation efficiencies; and (iii) the sewer engineering sector will keep growing and reach S\$408.2 million in 2022 with the construction of second phase of deep tunnel sewage system.

In light of the planned expansion of our manpower and machinery, and the forecasted increase in demand for pipeline engineering services as discussed above, our Directors consider that we have the business needs to acquire a larger leasehold property of at least 6,500 square metres with a lease term of around 30 years, or at least more than 25 years, to support our business operations. To the best of the Directors' knowledge, information, and belief, the relevant properties that fit our targeted criteria which were available in the market most commonly have a remaining tenure of around 25 to 30 years, while the initial lease term tenure of our existing leasehold property located at 36, Sungei Kadut Avenue, Singapore 729661 was 30 years. Given that we only acquired such land in 2011, we only managed to occupy the land for around nine years. Our Directors considered that a longer lease term is preferable to reduce the needs for relocation.

As at the Latest Practicable Date, with our fleet of over 50 motor vehicles and machinery and around 300 employees, our office and warehouse for our machinery were fully utilised. Our Directors considered that to pursue our business expansion strategy by expanding our scale of operations through increasing the number of projects to be undertaken and expanding our project portfolio to include more water pipelines and cable installation projects, we will need to hire additional staff, including additional two project managers, three project engineers, one safety officer, one safety coordinator and 11 site workers, and purchase machinery and equipment as needed, including the two pipe jacking machines we intend to purchase, to cope with the expansion. Accordingly, we will need a larger property to be used as our office, foreign worker dormitory and warehouse for our machinery to accommodate additional motor vehicles, machinery and workforce. Based on the current site area of approximately 5,000 square metres used as office, car park, driveway, warehouse and fabrication, we can store up to a maximum of 31 motor vehicles and excavators together with other equipment and machinery used in our course of

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business. As at the Latest Practicable Date, our office (which currently housed 33 units of workstation, 3 meeting rooms and a director room), car park and driveway (which currently had 31 car parking lots) and our foreign worker dormitory (which currently has seven rooms fit for 127 persons) were fully utilised and unable to accommodate over 50 employees who work full time at our existing office, over 45 motor vehicles and machinery which will need space for parking, and 194 site foreign workers whom we are responsible to provide accommodation. We currently manage the available space by storing certain excavators and motor vehicles at the construction sites of our ongoing projects and leased workers dormitory from Independent Third Parties. As at the Latest Practicable Date, we had leased eight units of licensed foreign workers dormitories from Independent Third Parties amounting to approximately S\$36,680 per month for around 121 foreign workers. We may from time to time carry out some fabrication works at our warehouse such as cold cutting of gas pipes of up to 700 mm diameter. As we frequently handle large size equipment and machinery, we require spacious warehouse to avoid any occupational hazards and workplace injuries. After acquiring the larger property, we expect to only park those excavators and machinery in use for the relevant projects at the construction site while the motor vehicles and other machinery that are not in use for the relevant projects will be parked at our headquarter to be able to monitor their utilisation and flexibly allocate them to projects that might use them.

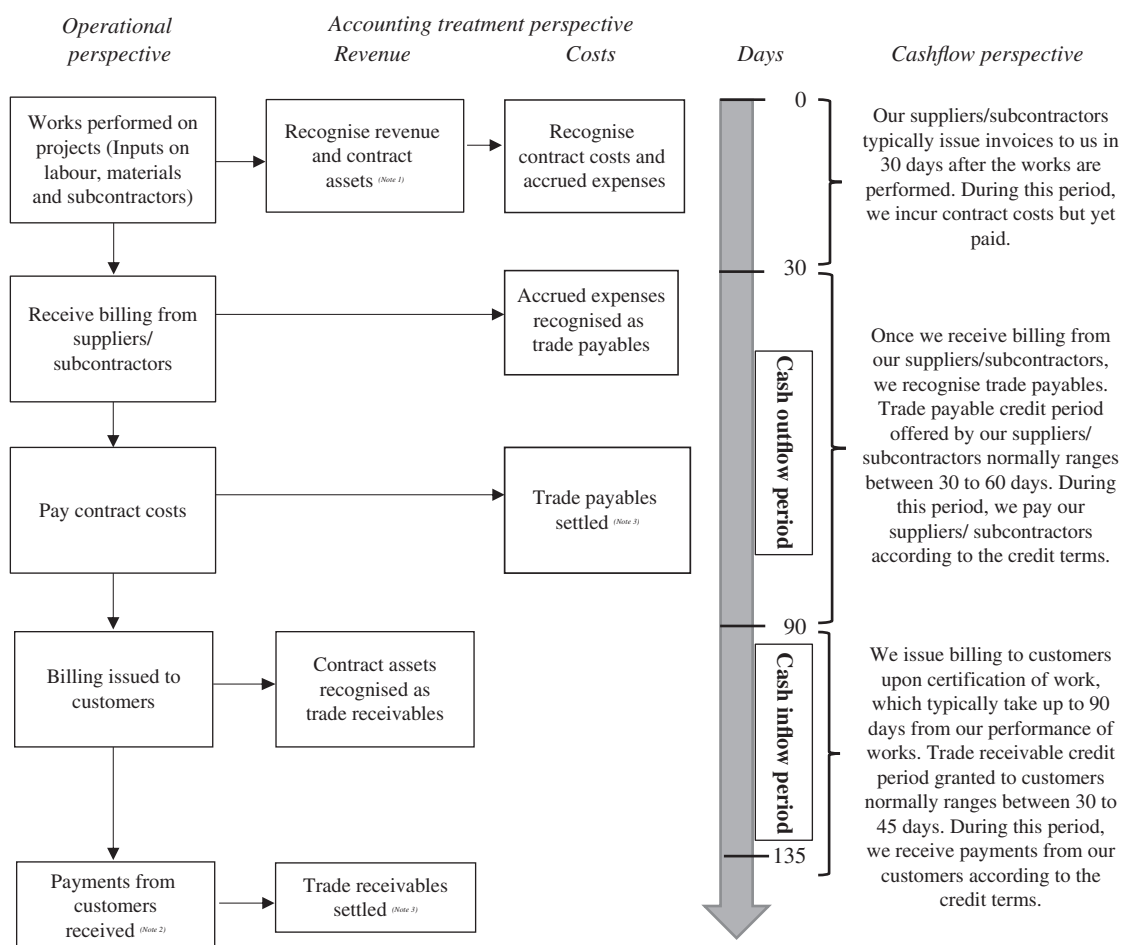
We have searched for industrial leasehold properties of at least 6,500 square metres with a lease term of around 25 to 30 years located at around Western Singapore to be used as office, car park and driveway, foreign worker dormitory and warehouse and fabrication for machinery as follows:

	Estimated area (sq.m.)	Usage (Units)
Office	780	45 (including 4 meeting rooms and one director room)
Car park and driveway	2,900	40
Foreign worker dormitory	1,400	14 rooms for 250 persons
Warehouse and fabrication for machinery	1,700	—

We estimate that the larger space available not only can cater for our expansion need, we can also save our renting expenses incurred for foreign workers dormitory by housing all of our foreign workers in house. Based on a number of quotations we obtained that fit our selection criteria of having existing office, foreign worker dormitory and warehouse, we estimated the purchase and renovation costs to be approximately HK\$88.0 million (approximately S\$15.3 million). We intend to utilise approximately 59.7% or HK\$63.2 million (approximately S\$11.0 million) of our net proceeds from the Share Offer on the purchase of an existing property which has constructed with office premises, warehouse and dormitory. We will pay the remaining amount of approximately HK\$24.8 million (approximately S\$4.3 million) from mortgage loan, which was based on preliminary discussion with our banks. Our Directors expect to obtain the banking facilities for the mortgage loan of up to 35% of the purchase and renovation costs after the sales and purchase agreement of the property is executed. Further, based on preliminary discussion with our banks, notwithstanding that it is not unfeasible to finance the acquisition of property with a mortgage loan of up to 80% of the purchase and renovation costs as we had in the past been able to obtain mortgage loan to acquire our existing office premises, our Directors are of the view that such significant amount of additional debts raised would result in high gearing ratio which

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may cause undue liquidity pressure and risk to our Group, reduce profitability of our Group and may hinder the implementation of our Group's expansion plans. In addition, it is anticipated that the bank borrowings would require our Controlling Shareholder to provide personal guarantee as security if we are not a listed company and causing undue financial burden on our Controlling Shareholder. Our Directors have also considered the feasibility of utilising internal resources to finance the acquisition of the new property, but have concluded that our Group generally requires approximately S\$2.0 million to cater for our general working capital from time to time and would need to prepare sufficient cash flows for such purposes. This is because our trade receivables turnover days are generally longer than our trade payables turnover days. Due to the mismatch of timing of settlement with suppliers and receipts of revenue from customers as most of our work done will need to be certified by our customers, our Directors have concluded that the use of all our available internal resources for the purchase of the new property may also cause undue liquidity pressure on our Group and jeopardise our financial stability in the long run in view of the long-term objective of our Group to pursue the business growth, our Directors consider that it is in the best of our Group's interest to seek further investments from a broad shareholders' base through the Share Offer, instead of primarily from a single shareholder. For illustration purposes, please see below a diagram showing the timing of revenue and costs recognition and the corresponding settlement with suppliers and receipts of revenue from customers of our Group:



Note:

- Our Group recognised the revenue from the contract progressively over time using the input method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

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The contract assets on construction contracts represent our Group's right to consideration for work completed and not billed as the rights are conditioned on our Group's future performance in satisfying the respective performance obligations.

2. From time to time, we would receive interim payments (or an amount consideration is due) from our customers, while work has not yet been performed. Hence, contract liabilities on construction contracts would be recognised, representing our Group's obligation to transfer project works to customers.
3. During the Track Record Period, our trade receivable turnover days ranged from 39 to 53 days, while our trade payable turnover days ranged from 35 to 56 days. Please refer to the section headed "Financial information — Discussion on selected balance sheet items — Trade and other receivables — Trade receivable turnover days" and "Financial information — Discussion on selected balance sheet items — Trade, other payables and accruals—Trade payables" for further information.

Please also refer to "Future plans and use of proceeds — Reasons for the Listing" for other reasons for Listing of our Company.

The following table summarises the mode of financing of the amount of purchase cost for the new property:

	<i>HK\$ million</i>	<i>S\$ million</i>	<i>%</i>
Financed by net proceeds from Share Offer	60.1	10.5	68.3
Financed by mortgaged loan	<u>27.9</u>	<u>4.8</u>	<u>31.7</u>
Total purchase and renovation costs	<u>88.0</u>	<u>15.3</u>	<u>100.0</u>

As at the Latest Practicable Date, we had not identified any property to acquire but have obtained quotations from a real estate agent for the type of property and floor area of the property we intend to acquire. We have also obtained quotations for renovation from a firm specialising in office furniture and equipment and providing professional installation and relocation services for industrial and commercial office and a building, civil engineering and interior contractor. Our Directors will continue to search for properties that fit such criteria by weighing the costs against the availability of properties for our purchase. Please refer to the section headed "Future plans and use of proceeds" of this prospectus for further information.

We have also made the following assumptions and plans with regard to the new property:

- (i) It would take approximately six to nine months to identify a suitable location for the industrial property, negotiate and finalise the sale and purchase agreement. As we intend to acquire industrial property, no approval for zoning or other regulatory approval is required, as compared to if we are to buy an empty land to construct, which may not be ready for us to move in when our existing leasehold land term expires as longer time is required to construct and obtain relevant regulatory approvals including but not limited to the approval of the Urban Renewal Authority relating to foreign workers dormitory. In addition, our Directors also noted that most vacant land are located at Tuas South, Singapore, which are not feasible for our operations as they are too far away, and that such land has shorter lease term of around 20 years;

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- (ii) The purchase price and the estimated renovation of approximately S\$15.3 million (approximately HK\$88.0 million) was based on quotations obtained from a real estate agent, with reference to the type of property and the floor area of the property we intend to acquire as well as quotations for renovation from a firm specialising in office furniture and equipment and providing professional installation and relocation services for industrial and commercial office and a building, civil engineering and interior contractor. The actual purchase price may differ as it will be subject to negotiations with the seller (or its agent) at that point in time, based on market conditions, the availability of such property versus the demand, and the conditions of the property. As soon as we have the net proceeds from the Share Offer, we will actively search for the property and pay the down payment for the property, with the payment for the balance of purchase price of the property to be paid on or before September 2019;
 - (iii) It would take approximately another six months to complete renovation of the property to suit our needs;
 - (iv) The timing of moving into a new property would be around October 2020;
 - (v) The stamp duty for the property is estimated to be approximately HK\$2.5 million (approximately S\$0.4 million);
 - (vi) Depreciation is calculated based on the assumption that the building portion of the industrial property will be depreciated over 25 years while the estimated renovation costs will be depreciated over five years. Therefore, in aggregate, the annual depreciation cost for the first five years is estimated to be approximately S\$0.7 million, and approximately S\$0.6 million for the remaining 20 years; and
 - (vii) The new premises to be acquired should have existing foreign workers dormitory and have obtained the approval of Urban Renewal Authority so as to smoothen our subsequent application for use of the dormitory by our workers.
- (iii) *Commercial rationale for acquiring instead of leasing the new property*

Our Directors have considered the viability of leasing instead of acquiring a new property. Nevertheless, our Executive Directors have considered the following:

- (i) by having a self-owned leasehold property of more than 25 years, we can avoid (a) the risk of substantial increase in rental expenses upon renewal of the leased property with a lease period of, generally, five years; and (b) the risk of disruption to our business operations caused by potential premature termination or non-renewal of our lease by the relevant landlord. According to the information published by a statutory body of the Singapore Government, the rental index of industrial space in Singapore has experienced an increase at a CAGR of 4.15% for the period from 2007 to 2017. Due to the increase in the new supply of industrial space since 2011, the rental index of industrial space had started to moderate during the period from 2014 to 2017. Based on the published information available, the new supply of industrial space peaked in 2017, followed by a significant decrease in 2018 and 2019. Our Directors are of the view that notwithstanding the decrease in rental for industrial properties in the recent years, there is no assurance that rental will not increase in the future.

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Therefore, having considered (a) the historical price trend of the rentals for industrial space over the past decade; (b) the expected decrease in the new supply of mixed use premises being classified as industrial spaces in the foreseeable future; (c) the potential costs and disruption that may be caused to our operation by any potential relocation of our office, warehouse and foreign workers dormitory in the case of using leased premises, as the lease term is usually only five years; and (d) the other commercial rationale set out below, our Directors believe that it is prudent for our Group to acquire instead of leasing a property in order to minimise our exposure to the risk of rental increase when implementing our expansion plans;

- (ii) with reference to the current market rental of properties and based on the report of a statutory body of Singapore Government, the cost of leasing a property which are permitted for mixed use as office, foreign worker dormitory and warehouse and located at around Western Singapore with gross floor area of approximately 6,500 square metres is expected to be approximately at least S\$70,000 per month and the average monthly rental is approximately S\$113,000. In addition, given that we need a permanent place of establishment for our business operations and headquarter, the rental cost of leasing for the premises for around 25 years based on the current market rent of at least S\$70,000 per month or approximately S\$840,000 per annum will be approximately S\$21.0 million, assuming (a) when we acquire the land from private party, which is more practicable than acquiring from government agency, the land would most likely have a remaining lease term of less than 30 years; and (b) there will be no increase in rental over the 25 years period. By comparison, based on the acquisition and renovation cost of the new property of S\$15.3 million and the accounting policies adopted by our Group, it is estimated that the annual depreciation expenses will be approximately S\$0.7 million for the first five years and approximately S\$0.6 million for the remaining 20 years. As the estimated annual rental cost for a property which fulfil our above criteria is expected to be approximately 13.5% to 44.8% higher than the annual depreciation expenses incurred in relation to the acquisition of such property, our Directors consider that it is more cost effective for our Group to acquire rather than lease the new property. Moreover, we may be able to benefit from the appreciation in value of the property we acquire if we own the premises, and enjoy greater tax savings as the interest and property tax portion of the mortgage payment is tax deductible; and
- (iii) by using a leased property as our headquarter, we are subject to the risks of relocation due to non-renewal or premature termination of our lease. Our current plan is to use one property for office, foreign workers dormitory and warehouse which would require us to incur renovation costs of approximately S\$0.8 million. As far as our Group is concerned, the renovation works performed in respect of our property will become obsolete once we have to relocate to another leased location, and similar expenses would have to be incurred again for setting up our office, foreign workers dormitory and warehouse at the new location. Moreover, landlords for industrial properties in Singapore generally require tenants to reinstate the leased properties to the original conditions before their handover. In such event, our Directors estimate that we would have to incur approximately S\$30,000 as reinstatement costs at the end of lease period if the lease is not renewed by the landlord.

Our Directors have also considered that (i) comparing our monthly depreciation cost for the new property of S\$50,000 to S\$60,000 (or annual depreciation cost for new property of approximately S\$0.6 million to S\$0.7 million) with the market rental of at least S\$70,000 per month (or approximately S\$840,000 per annum), it would be prudent to own an industrial property, instead of renting due to limited available choices for renting industrial properties of similar size located in Western Singapore at reasonable rental costs based on rental price obtained from a real estate agency and the report of a statutory body of Singapore Government; (ii) the need for a larger property not only to house our office, warehouse and workers dormitory to meet our needs but also we require parking space for our large fleet of motor vehicles, tipper trucks and excavators as well as to accommodate the new machinery that we intend to purchase and the new recruits that we intend to hire to cope with our business expansion; (iii) we can better accommodate our business needs under one roof as we can effectively monitor the whereabouts of our fleet of trucks and machineries as well as labour force in terms of their utilisation and capacity; (iv) we will have better control over our expansion plans as there will be no uncertainty over the potential termination of lease; (v) the flexibility of renovating the premise based on our needs without any restrictions from the lessor; and (vi) saving of rental for workers dormitory as well as parking spaces for our lorries and motor vehicles.

Purchase two pipe jacking machines to increase the number and scale of projects to capture new business opportunities

Throughout our corporate history and during the Track Record Period, constrained by our limited financial and operational resources, we have been focusing on developing our business in gas pipeline industry. Since the construction of the second phase of Deep Tunnel Sewage System which commenced in 2017, we saw a great opportunity for us to capture the growth momentum to aggressively expand into sewer pipeline projects in order to increase our market share in water pipeline industry.

According to the F&S Report, it is estimated that the pipeline engineering market is likely to see an increase in the adoption of pipe jacking techniques. It is expected that there will be more than 35 projects related to water pipeline and sewer projects to be called from the third quarter of 2018 to the second quarter of 2019 involving jacking works, such as the proposed 800 mm diameter water pipeline along Sengkang West Road from Tampines Expressway to Yio Chu Kang Road, of which over 80% of these projects are relevant to our Group's plan to purchase jacking machines of 800 mm and 3,000 mm diameters in size. Moreover, according to the F&S Report, the contract sum available for tender is expected to continue to witness an increase in water pipeline engineering projects especially projects initiated by PUB and those projects that involve pipe jacking works of 800 mm and 3,000 mm diameters in size. According to the F&S Report, the historical contract sum for water pipeline and sewer projects from the third quarter of 2017 to the second quarter of 2018 was over S\$400 million while the expected total contract sum for water pipeline and sewer projects from the third quarter of 2018 and up to the second quarter of 2019 is over S\$500 million. Amongst these, the expected total contract sum still available for tender as at the Latest Practicable Date on water pipeline and sewer projects that involve pipe jacking work of 800 mm and 3,000 mm diameters from the third quarter of 2018 and up to the second quarter of 2019 is over S\$400 million for over 25 projects, which exclude any tenders that may be called for by Keppel DHCS Pte. Ltd. in relation to the new district cooling system plant in the upcoming Jurong Innovation District.

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We have also recently come across many tender opportunities on the GeBIZ for water pipeline projects of Customer C requiring jacking works of 800 mm and 3,000 mm diameters in size. Such projects mainly involve the supply and laying of various length of sewer pipes, ranging from 75 m and up to 3,300 m, in various areas of Singapore such as the North, North East and core central regions of Singapore. Based on information available on the GeBIZ during the Track Record Period, the total contract value awarded for such tender opportunities amounted to approximately S\$154.4 million. Some of such projects available for tender require the tenderers to be registered with the BCA in the CW02 (Civil engineering) workhead with at least a “B2” grade for tender of contracts up to S\$13 million which we are eligible to submit directly as main contractor or indirectly as subcontractor to those main contractors, and the duration of such contracts to be in the range of 15 to 30 months.

During the Track Record Period, we have been requested from time to time to quote for works that included jacking works, especially in larger scale gas and water pipelines projects. We have been providing pipe-jacking services to our customers since October 2014. During the Track Record Period, three of our contracts with, among others, Customer A and Customer C (being projects #3, #4 and #14) required the provision of pipe-jacking works with a total contract value of approximately S\$56.0 million. As at the Latest Practicable Date, we owned two jacking machines with diameter of 1,500 mm and 2,000 mm, which we acquired in 2014 and 2015 for approximately S\$1.0 million and S\$1.8 million, respectively, to cater to our customers in the gas pipeline projects that typically require jacking machines with such diameter for their gas pipeline installation. We acquired such jacking machines through hire purchases which have been fully paid by June 2018. However, the water pipeline projects as specified in the tender specifications generally require the use of pipe jacking machines of 800 mm and 3,000 mm in diameters as the pipes used are typically with diameter of 800 mm and 3,000 mm. As different sizes of pipes can only be installed by using the relevant sizes of jacking machines, we need to acquire new jacking machines of 800 mm and 3,000 mm in diameter for installing pipes of 800 mm and 3,000 mm in diameter respectively as our existing machines can only be used for installing pipes with diameter of 1,500 mm and 2,000 mm (with a variance of up to additional 100 mm). Our Directors believe that our past experiences in handling pipe jacking works as well as owning a range of various sizes of pipe jacking machines would aid in our evaluation of tender for new pipe jacking works and enhance our chances of success in tendering for new projects involving pipe jacking works as we not only have the experience in handling such works but are also able to ensure such machines to be available at all time.

As such, we intend to increase our market share by tendering for more or larger scale projects as well as for water pipeline projects (especially for sewer pipelines) by investing in two additional pipe jacking machines and set up our own team in order for us to be price competitive in our tenders, rather than to subcontract this part of the work out or renting of pipe jacking machines. Specifically, we plan to purchase two pipe jacking machines of 800 mm and 3,000 mm diameter in size which are crucial for our infrastructural pipeline engineering works as such machinery is not readily available to be leased on a standalone basis at a reasonable rental (as companies that own such machinery would rather subcontract the entire jacking works) or some may generally impose a minimum rental period of six months, which is longer than we require for our projects or the rental costs may be too expensive rendering us not competitive in our tenders. In addition, when our jacking machines are not in use, we will be able to lease out our pipe jacking machines or to provide pipe jacking works as a subcontractor, which we have rendered such services from time to time during the Track Record Period.

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We have planned for approximately 31.2% or HK\$33.1 million of our net proceeds from the Share Offer for the purchase of two pipe jacking machines being 800 mm and 3,000 mm diameter in size together with their accessories by 30 June 2019. Our Directors have assessed our Group's business needs and have evaluated the cost benefit of owning instead of subcontracting, leasing or acquiring through hire-purchase the two pipe jacking machines by taking into considerations the following:

- **Business need to have jacking machines of the right sizes for sewer pipeline projects:** As disclosed under the paragraph headed "Machinery and equipment" below, as at the Latest Practicable Date, we had two jacking machines with diameter of 1,500 mm and 2,000 mm, respectively. During the Track Record Period, we only quoted and accepted contracts involving jacking works requiring 1,500 mm and 2,000 mm in diameter, which are more widely used in gas pipeline projects. Jacking machines are required for the installation of underground pipeline, and given that (i) we do not have jacking machine of certain sizes; and (ii) we had in the past not able to obtain rental of such machinery on a standalone basis or at favourable costs or duration, we did not tender or quote for the scope of work requiring jacking machines of other sizes. During the Track Record Period, we did not submit or had turned down over nine opportunities to tender or quote, whether directly as main contractor or indirectly as subcontractor, for projects with pipe jacking related scope of work requiring the usage of 800 mm and 3,000 mm pipe jacking machines not owned by us, which were estimated to be amounted to approximately S\$154.4 million because we did not own such machines, we were then focusing on completing a number of the then ongoing gas pipeline projects which took up most of our capacity in terms of financial and operational resources and it was not price competitive for us to rent or hire purchase the relevant pipe jacking machines or to subcontract such part of jacking works to subcontractors. Despite in the past before establishing our own team for jacking works that we did subcontract such part of the work, which would reduce our overall profitability. We will also be constrained by the availability of the subcontractor which may hinder our project schedule. Therefore, we chose not to submit for the tenders rather than rent or hire purchase the relevant pipe jacking machines or to subcontract such part of the jacking works to subcontractors. Given the expected total contract sum available for tender by our Group on water pipeline and sewer projects that involve pipe jacking works of 800 mm and 3,000 mm diameters from the third quarter of 2018 and up to the second quarter to 2019 is over S\$400 million according to the F&S Report, coupled with the missed opportunities that we had during the Track Record Period as aforementioned, our Directors considered that the water pipeline and sewer projects provide abundant business opportunities for us to maintain sustainable growth in the next three years. If we do not own pipe jacking machines of the right sizes or are unable to lease them or subcontract such jacking works at reasonable costs, we will not be able to participate in any of these tenders, which would hinder our expansion strategies. On the other hand, in the worst case scenario if after we have acquired the new jacking machines using the proceeds from the Share Offer but have been unsuccessful in our tenders, we will still be able to lease out the new jacking machines or to render jacking works in our capacity as subcontractors.
- **High rental costs render it not price competitive:** Our Group has obtained and reviewed quotations from (i) two equipment lessors for the standalone rental of 800 mm and 3,000 mm diameters pipe jacking machines; and (ii) two vendors for the purchase of the 800 mm and 3,000 mm diameters pipe jacking machines. Based on the limited quotations available to our

Group as there are only two companies that our Directors know of that lease jacking machines on a standalone basis and the preliminary hire purchase quotation obtained from our hire purchase financiers, it is estimated that (i) the estimated annual rental cost of approximately S\$3.8 million if we lease the machine for a whole year is 6.6 times more expensive than the annual depreciation of these jacking machines of approximately S\$0.5 million; or (ii) the estimated annual payment of hire purchase for such jacking machines if we were to acquire such jacking machines by way of hire purchase of approximately S\$1.8 million which is 2.6 time more expensive than the annual depreciation of these jacking machines (the “**Cost and Benefit Analysis**”). Based on our Directors’ knowledge, as the jacking machines require proper handling and being expensive machines, equipment lessors usually impose higher rental to cater for subsequent maintenance charges in case of damage caused during lease period. In addition, the rental also includes all accessories such as pumps, base frames, jacking shafts and slurry and bentonite pipes that will be leased together with the relevant jacking machine. On the other hand, if we buy the jacking machines, we will be able to use our existing accessories without the need to incur additional costs to purchase the same. Further, to the best of our Directors’ knowledge and information, generally, lessors (including those two equipment lessors which we have obtained quotations for 800 mm and 3,000 mm diameters pipe jacking machines above) may impose a minimum rental period of six months, which duration is much longer than we require for our projects as some jacking works may only last for around six weeks, in which circumstances, we may be paying unnecessary rental in excess of our need. Having considered, among other things, (i) the Cost and Benefit Analysis; notwithstanding that it is not unfeasible to finance the acquisition of the jacking machines with hire purchase as we had obtained preliminary quotation for the same and had in the past been able to obtain such financing; (ii) the availability and feasibility of leasing the specific type of machines; and (iii) the flexibility in terms of the rental period, our Directors are of the view, which the Sole Sponsor concurs, that pipe jacking machines of 800 mm and 3,000 mm may not readily available to be leased on a standalone basis as and when our Group is in need and at a reasonable rental. If we do not own jacking machines of different sizes in diameter or are unable to lease them on a standalone basis, we will be unable to tender in a price competitive basis for new water pipeline projects and fail to remain competitive and our expansion plan to increase our foothold in the water pipeline projects may not be effectively implemented.

- **Subcontract reduces profitability:** To the best of our Directors’ knowledge and understanding, normally the owners of such pipe jacking machines generally are not willing to lease the machine on a standalone basis as they usually need to maintain the relevant specialised staff in-house, and leasing the machinery on a standalone basis would render their specialised staff unutilised. We have obtained and evaluated a quotation from a subcontractor for the provision of pipe jacking works requiring 800 mm diameters pipe jacking machines. Our Directors are of the view that, since our Group already has the relevant specialised staff for operating such pipe jacking machine, it would be less cost effective to engage such subcontracting services, which essentially embedded the machinery rental and staff costs. Further, our Group was not able to obtain any quotation from subcontractor for 3,000 mm diameters pipe jacking machine. During the Track Record Period, we did not subcontract jacking works to subcontractors as we have rendered such services in-house in respect of jacking works involving diameter of 1,500 mm and 2,000 mm, and had not undertaken or involved in any jacking works that require diameter other than 1,500 mm and 2,000 mm.

Nonetheless, for illustration purposes, if we were to rent such jacking machines in respect of projects #3, #4 and #14 by calculating the rental costs and excluding the depreciation charges on these two machines in recognition of the profitability of these projects, it would render our profit margins for such projects to drop from approximately 23.6%, 32.6% and 33.0% to approximately 13.8%, 24.7% and 21.6%, respectively. Therefore, we currently do not intend to subcontract such jacking work as our Directors believe that it may render our tender not price competitive and thus not in the best interest to our Group, or, as far as our Directors are aware, there is no such subcontracting engagement readily available in the market. As such, our Directors believe that with the purchase of these machinery, we will have a wide range of jacking machines of various sizes. Our Directors noted that there are nine sizes of large jacking machines available being 800 mm, 900 mm, 1,200 mm, 1,500 mm, 2,000 mm, 2,100 mm, 2,500 mm and 3,000 mm. The four essential sizes of the jacking machines owned and to be owned by us will be able to function for six out of those nine standard sizes of large jacking machines because with the help of an external casing, the jacking machine can be upsize for up to 100 mm. Accordingly, we are able to expand our project opportunities for gas, water, telecommunications and power industries, and reduce subcontracting costs and risks associated with machinery unavailability, and render our tender more competitive in terms of pricing. Therefore, as at the Latest Practicable Date, save for the jacking machines of 800 mm and 3,000 mm, our Directors did not intend to acquire other sizes of jacking machines in the near future.

- **Hire purchase affects liquidity:** Further, notwithstanding that it is not unfeasible to finance the acquisition of the jacking machines with hire purchase, our Directors are of the view that the servicing of repayment of hire purchase facilities by instalment, coupled with our mortgage loan repayment for the purchase of new property as discussed above through our internal resources may cause undue liquidity pressure and risk to our Group and may hinder or delay the implementation of our Group's expansion plans. In addition, as compared to previously when we acquired the 1,500 mm and 2,000 mm jacking machines which were financed through hire purchase (which had been fully paid by June 2018), the purchase price for those jacking machines of approximately S\$2.8 million was approximately 2 times cheaper than the two new jacking machines to be acquired. We were able to fund the repayment of the hire purchase instalments through cash flows generated from the then ongoing projects that involved the use of those jacking machines, which we had factored in the purchase and financing costs of the jacking machines in our tender price. However, given that we have submitted tenders for works involving the new jacking machines but had not been awarded with any such projects as at the Latest Practicable Date, our Directors considered it to be commercially prudent to prioritise our existing financial resources for working capital for various ongoing projects and only acquire the new jacking machines if we have immediate funds available from the Share Offer to support our immediate expansion plans or when we have secured tenders for such jacking works so that if we need hire purchase to finance the acquisition, our cash flows generated from the relevant jacking works will be able to support the repayment of hire purchase instalments. Our Directors have performed a simulative analysis of cash flows positions of our Group in various scenarios regarding the acquisitions of jacking machines and industrial property in the absence of proceeds of the Share Offer (the "**Simulation**"). Based on the Simulation, our Directors are of the view that in the absence of proceeds of the Share Offer, we will need to delay certain expansion plans, in particular the purchase of the new jacking machines, because even if we

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are able to obtain hire purchase for the jacking machines and taking into account the repayment of principal and interest, we will be very likely to fall short of working capital requirements for our daily operations.

As such, our Directors believe that, riding on its expansion plans and by the utilisation of the net proceeds from the Share Offer in its implementation, we are well positioned to capture the opportunities for growth in the water and sewer pipeline industries as evidenced by the market players' recognition of our technical expertise and capabilities.

MAIN REGISTRATIONS AND LICENCES

As at the Latest Practicable Date, we hold a number of registrations and licences which enable us to carry on our businesses as follows:

Relevant authority/ organisation	Relevant list/category	Qualification/ Licence/ Grading	Date of expiry
Building and Construction Authority	GB Licence	GB1	27 June 2021
Building and Construction Authority	Cable/Pipe laying and road reinstatement (CR07)	L6	1 October 2019
Building and Construction Authority	Civil engineering (CW02)	B2	1 October 2019
Building and Construction Authority	Line plant cabling/Wiring for telecommunications (ME10)	L1	1 October 2019
Building and Construction Authority	Mechanical Engineering (ME11)	L3	1 October 2019

As at the Latest Practicable Date, we were registered under the workheads CR07 (Cable/Pipe laying and road reinstatement) in the Contractors Registration System with a “L6” grade and CW02 (Civil engineering) in the Contractors Registration System with a “B2” grade, which allow us to tender for pipeline engineering and civil engineering projects in the public sector in Singapore of unlimited values and up to S\$13 million, respectively. As at the Latest Practicable Date, we were one of the 12 companies registered under the workhead CR07 (Cable/Pipe laying and road reinstatement) in the Contractors Registration System with a “L6” grade. We also hold a GB1 Licence granted under the Builders Licensing Scheme, which allows us to undertake general building contracts of any value in Singapore. See section headed “Regulatory overview — Business qualifications and licences” for further details of our registrations and licences.

Our Executive Directors are of the view that our existing registrations under the Contractors Registration System are adequate for our business needs. Our Directors confirmed that our Group has obtained all the necessary registrations and licences which are required to carry on our principal business activities in Singapore as at the Latest Practicable Date.

Requirements for maintaining our registrations and licences

Our ability to maintain our licences and registrations under the Contractors Registration System is crucial to our business operation. Please see “Risk factors — Inability to renew our existing registrations and licences or the existing registrations and licences are cancelled or suspended could materially affect our operations and financial performance” for further information. There are certain financial, personnel, track record, certification and other requirements that we have to comply with in order to maintain such registrations and licences, which are set forth in detail in the section headed “Regulatory overview — Business qualifications and licences”.

Personnel requirements

One of such requirements is in relation to the employment of management and technical personnel, which is set forth in detail in the section headed “Regulatory overview — Business qualifications and licences”.

Our Executive Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, the personnel requirements to maintain our licences and registrations were fully complied with. We had satisfied the personnel requirement through the employment of our Executive Director, Mr. Shane Shi, who possesses a degree of Bachelor of Engineering (Mechanical Engineering) and a Specialist Diploma in Construction Productivity at the BCA, as well as Mr. Goh Yong Cheng and Mr. Kong Mun Kai who each possesses a professional qualification with a degree of Bachelor of Engineering and the Basic Concept in Construction Productivity Enhancement (Certificate of Attendance) conducted by the BCA Academy.

Having considered our employment of the management and technical personnel which satisfies the relevant personnel requirements as well as the fact that our Group has, as at the Latest Practicable Date, a number of other additional employees who are qualified to take up the relevant roles for fulfilling the personnel requirements in case of any replacement is required, our Executive Directors are of the view that our Group is not placing any undue reliance on any particular employee for fulfilling the relevant personnel requirements in relation to our registrations and licences.

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Certification requirements

We are committed to our quality control and occupational health and safety. Some customers may also require certain certifications such as bizSAFE star level. We have also obtained certifications as to quality control, occupational health and safety throughout the Track Record Period and up to the Latest Practicable Date, as set forth in the following table:

Relevant authority/ organisation	Relevant list/category	Qualification/ Licence/Grading	Date of first grant/ registration	Date of expiry
BSI Assurance UK Limited	Quality management system for the scope of civil engineering works	ISO 9001:2015	13 May 2010	12 May 2019
BSI Assurance UK Limited	Environmental management system for the scope of civil engineering works	ISO 14001:2015	10 April 2013	9 April 2019
BSI Assurance UK Limited	Occupational health and safety management system for the scope of civil engineering works	OHSAS 18001:2007	11 May 2010	10 May 2019
BCA	Green and Gracious Builder Award	Certified	23 May 2016	22 May 2019
Workplace Safety and Health Council	bizSAFE	Level Star	7 July 2016	11 May 2019

As at the Latest Practicable Date, our Group had completed the relevant audit review procedures for the renewal of the abovementioned certifications with no unusual issues being identified. Our Directors believe that there should be no impediment for the renewal upon expiry of the relevant certifications.

COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the F&S Report, the overall infrastructural pipeline engineering market in Singapore was considered fragmented with an aggregate market share of approximately 20.4% for the top five market players, which represented a market value of approximately S\$202.3 million for the year ended 31 March 2018 in terms of revenue. However, the segment of gas pipeline engineering market was concentrated with an aggregated market share of approximately 42.4% for the top five market players which represented a market value of approximately S\$52.7 million for the year ended 31 March 2018 in terms of revenue. As at the Latest Practicable Date, there were 333 contractors registered under the CR07 “Cable/Pipe laying and road reinstatement” workhead and out of which, 12 contractors had a L6 grading. According to the F&S Report, we ranked third in the overall infrastructural pipeline engineering market in Singapore for the year ended 31 March 2018 in terms of revenue with an estimated market share of approximately 2.4% while we ranked second in the gas pipeline engineering market in

Singapore in the year ended 31 March 2018 in terms of revenue with an estimated market share of approximately 10.7%. See section headed “Industry overview — Competitive landscape analysis” for further details.

SALES AND MARKETING

Marketing activities

We do not have a dedicated marketing and sales team as our project opportunities were either originated from GeBIZ, the Singapore government’s one-stop e-procurement portal, tenders posted on our customers’ own online portal or tenders through invitation. We also rely on our Executive Directors and our project managers for maintenance and acquisition of existing/new customer relationships. We monitor GeBIZ or our customers’ own online portal regularly for suitable project opportunities. In addition, we may be regularly invited to submit tenders by private customers who may be returning customers as well as our Executive Director’s business network in the private sector. During the Track Record Period, we did not engage in material marketing activities. Our Executive Directors consider that reputation and track record are important factors in being invited for private tenders or involved in public tenders.

Pricing and tender strategy

Our pricing is based on a cost plus basis having considered the cost of various overheads, labour, subcontracting and material costs. Pricing is one of the key considerations of tender evaluation by public or private customers, and also directly affects our project profitability. It is therefore critical that we are able to estimate our costs effectively, and by the same measure, possess the requisite personnel with adequate experience to properly evaluate a tender opportunity.

When we have identified the project opportunities to tender via GeBIZ, our customers’ own online portal or received an invitation to tender, our tender department will review the tender information on the projects requirements, materials required, drawings, regulatory or statutory requirements for the project and our capacity in terms of manpower and machinery. Our tender department will first review the project requirements and check with our Chief Executive Officer to decide whether to participate in the tender and if so, the pricing after taking into consideration various factors including (i) the scope of works; (ii) scale and complexity of the project; (iii) our internal competencies to fulfil the project; (iv) construction schedule; (v) our current work commitments; (vi) availability of resources; (vii) the requirements for delivery and post delivery activities such as warranty, contract obligations and maintenance; (viii) cost of materials; (ix) the applicable statutory or regulatory requirements; and (x) the competitive environment.

Should we decide to proceed with the tender, our tender department will prepare the tender documents. We will review the tender documents, amongst others, the (i) scope of work; (ii) requirements and specifications; (iii) the materials required; (iv) the labour and machinery resources required; and (v) the master schedule of the entire project, and when our works are to be performed. A detailed cost estimation will be carried out which will include the budgeted labour costs, material costs, testing and commissioning costs and preliminaries. Labour costs comprise both our own planned allocation of manpower as well as contractually required dedicated manpower for the project, for instance, certain contracts may require us to assign dedicated project manager, project engineer, project supervisor, foremen or to have workers on shift hours. We will also obtain quotations from our suppliers

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and/or subcontractors for major supplies and services required as reference for our cost preparation to determine our tender price of the project. Our key cost of sales that impact our tender price of our projects are mainly materials and labour costs.

The tender price will be approved by our Executive Directors, or a project manager. Our tender proposal is typically valid for up to 150 days (or extended upon customer's request). Once a letter of award is furnished to us within the validity period of our tender proposal, we are obliged to fulfil the contract at the agreed fee. All tender proposals require the approval of our Executive Directors or project manager before submission to our customers. Please also refer to the section headed "Directors and senior management" for the background and experience of our Executive Directors.

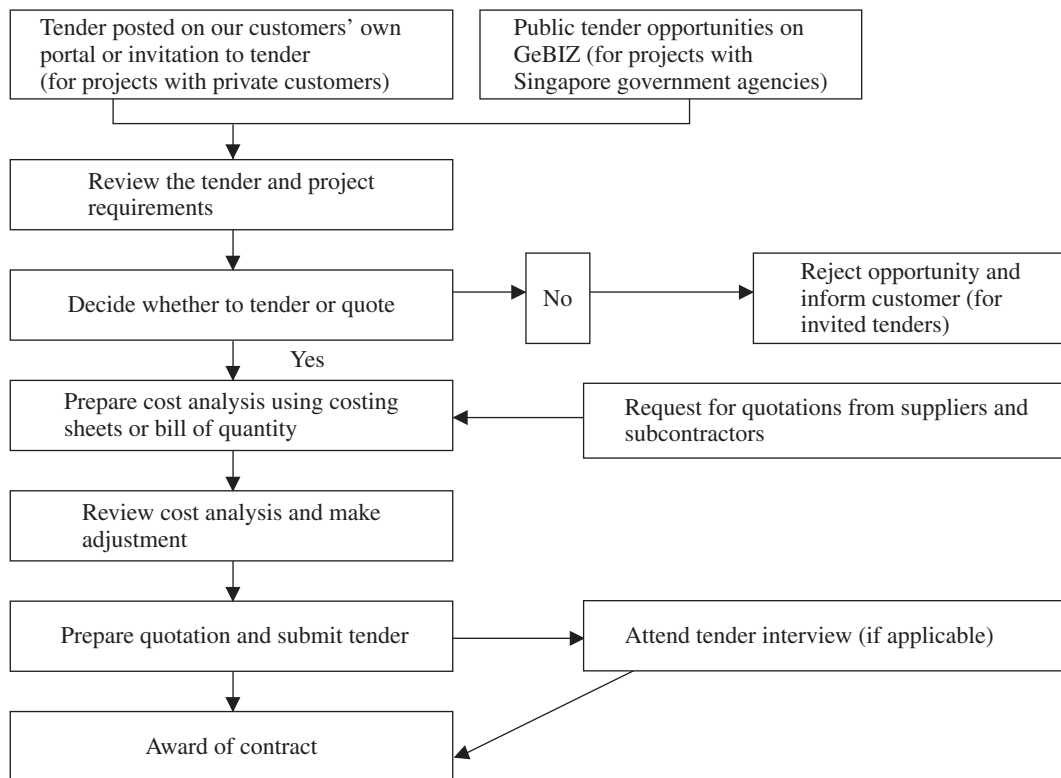
Seasonality

Our business is generally not subject to any significant seasonality.

PROJECT MANAGEMENT AND OPERATIONS

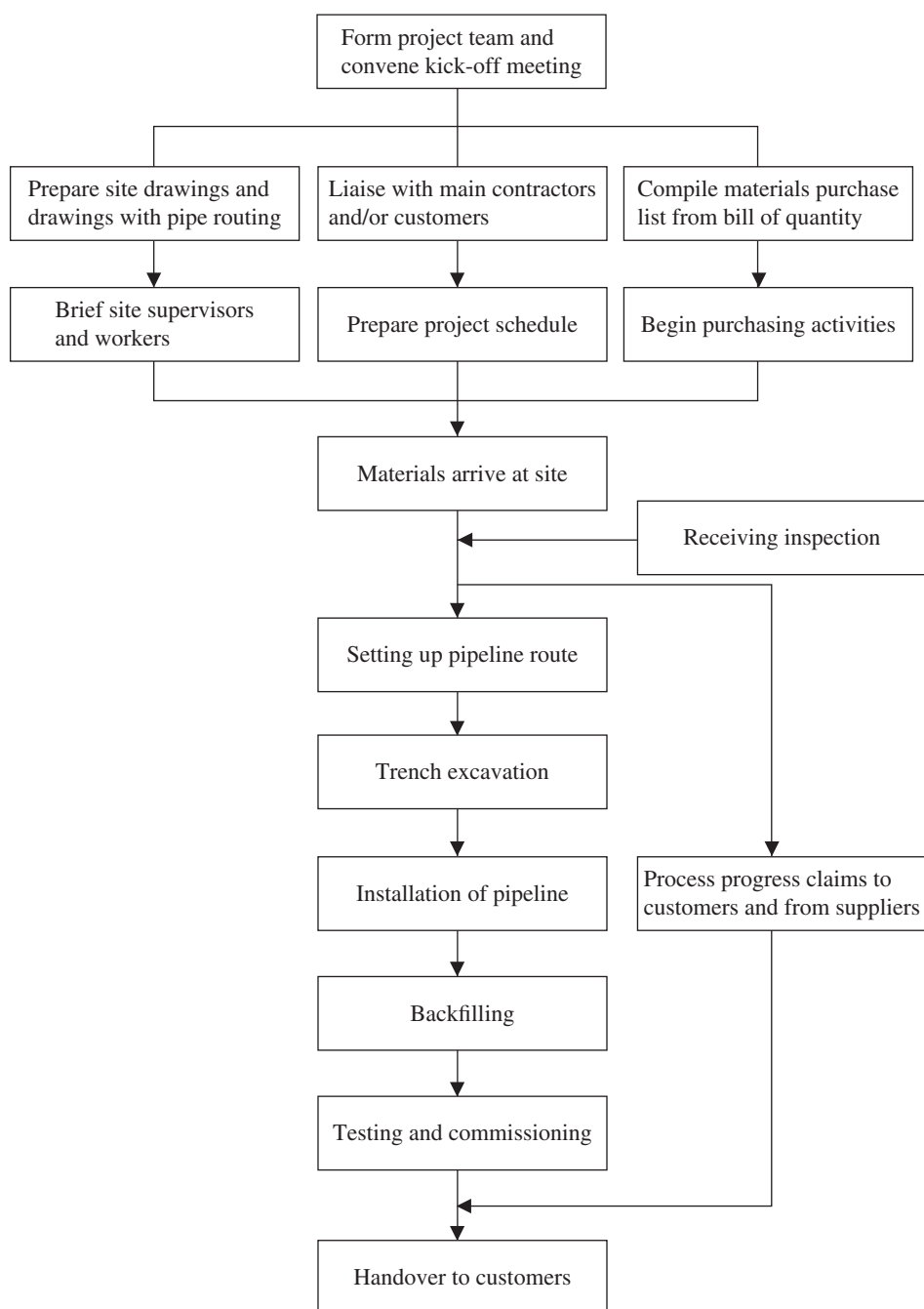
The following diagram illustrates the general steps undertaken by us in a project:

Tender phase (30 to 150 days)



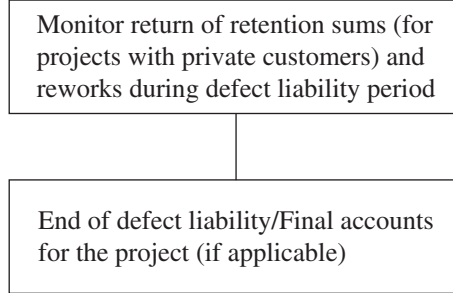
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Project implementation phase (5 to 49 months)



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Post-project phase (more than 12 months)



Tender phase

Our projects come mainly from two sources, namely (i) public tender opportunities published on GeBIZ; and (ii) private tenders posted on our customers' own online portal or invitations to quote from private customers. For more information on our marketing activities, pricing and tender strategy, please refer to the paragraph headed "Sales and marketing" above.

After receiving invitation to tender or sales enquiry, our Executive Directors will, with the assistance from the project managers, review, analyse and study the scope of services to determine if it is within our capabilities or if any statutory or regulatory requirements are applicable for the project, before deciding whether to participate in the tender exercise or to provide the services. In the preliminary review, our Executive Directors will consider factors including special requirements of the relevant customers, type and size of the relevant project, extent of site works, our current work commitments, capability to offer the project, the requirements for delivery and post delivery activities such as warranty, contract obligations and maintenance, and the applicable statutory or regulatory requirements. If our Executive Directors or project manager decides to proceed with the tender, we will then use information from the tender documents, bill of quantity and tender drawings in preparing our cost analysis, and decide on allocation of manpower and project budget. After the review of such cost analysis and adjustments made by our Executive Directors, a tender document or quotation will be prepared by our project manager or project engineer, which will be reviewed and approved by the our Executive Directors or project manager for submission to the customers.

Subsequent to the submission of the tender proposals, we may be requested to attend tender interviews. Our Executive Directors or project manager will attend such interview for the purpose of securing the project. If successful, a letter of award will be issued to us (if applicable) and the contract or purchase order awarded. We keep track of tenders submitted by us in an internal report, which contains information such as (i) project names/description; (ii) tender sum; and (iii) tender submission dates; and (iv) tender/contract award date, to analyse our tender results.

Tender success rate

The table below illustrates our tender success rates for pipeline engineering works during the Track Record Period.

		For the year ended 31 March										For the six months ended 30 September									
		2016					2017					2018					2018				
	Public tenders on GeBIZ	Private tenders posted on customers' portal or quotation					Private tenders posted on customers' portal or quotation					Private tenders posted on customers' portal or quotation					Private tenders posted on customers' portal or quotation				
		Number of tenders		Number of tenders/quotations		Awarded (%)	Number of tenders		Number of tenders/quotations		Awarded (%)	Number of tenders		Number of tenders/quotations		Awarded (%)	Number of tenders		Number of tenders/quotations		Awarded (%)
		Submitted	Awarded	Submitted	Awarded		Submitted	Awarded	Submitted	Awarded		Submitted	Awarded	Submitted	Awarded		Submitted	Awarded	Submitted	Awarded	
Gas pipeline	N/A	N/A	12	3	25.0	N/A	N/A	N/A	10	4	40.0	N/A	N/A	13	2	15.4	N/A	N/A	5	4	80.0
Water pipeline	6	1	1	1	100.0	3	0	0	1	1	100.0	8	1	12.5	2	1	50.0	1	0	4	1
Cable installation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3	1	33.3	N/A	N/A	2	2	100.0	N/A	N/A	1	0	0
Overall	6	1	13	4	30.8	3	0	0	14	6	42.9	8	1	12.5	17	5	29.4	1	0	10	5

Notes:

1. Tender success rate is computed based on the number of contracts awarded (whether awarded in the same period or subsequently) in respect of tenders submitted during the respective period, except for one project submitted but still pending the results.
2. N/A denotes not applicable as there were no tenders submitted.

During the Track Record Period, there has been no change in our tender strategy, which depends on various factors including the number of projects we have on hand, our available capacity in terms of manpower and machinery, the budgeted project profitability which in turn depends on numerous factors pertaining to the project and the competitive environment, and other factors set out in the paragraph headed “Sales and marketing — Pricing and tender strategy” above. In general, our strategy is to submit more tenders than we have available capacity to allow us to keep abreast of latest market environment, changing customers’ and/or industry requirements and pricing level of our competitors which are useful for our strategic planning to secure future tenders in similar projects. We will tender for more projects in order to secure sufficient projects for the optimisation of our resources and there was no instance of us being awarded projects beyond our available resources which resulted in us incurring cost overruns or breach of contracts. Given our tender strategy and in view of our financial performance during the Track Record Period and our projects on hand as at the Latest Practicable Date, our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory.

Project implementation phase

Upon the award of a contract, our Chief Executive Officer will convene a kick-off meeting attended by the Chief Executive Officer, project managers, project engineers and safety officers. The purpose of the kick-off meeting is to ensure that customers’ requirements are clearly understood by the management prior to the commencement of works and to initiate some preparation work. After that, site meeting with customers will be held to discuss and identify the actual work requirements. The project manager will brief the operation team on site and show them in practical terms on how the job is required to be performed. A copy of the proposed drawings will be handed over to the site supervisor. The project manager will calculate and consolidate the required materials and compile a list of materials to be purchased from the bill of quantity. The project manager will then liaise with customers or subcontractor on the project schedule or master construction programme and the main programme. He shall prepare the schedule or master construction programme with the input from the main contractor and/or the customer, which shall be reviewed and approved by the project manager or the Chief Executive Officer. The project engineer will prepare the proposed drawing plan for customers’ approval before starting of construction, including acceptance criteria for project release. Any deviation shall be highlighted and discussed with the customers.

Once the project manager ensures that the work site is ready for work, he shall deploy the machinery and manpower to the site. The site supervisors would collect materials for his assigned site. After that, the pipeline installation process will commence. The setting up of pipeline route shall be in accordance with the approved proposed drawing. Trenches are excavated according to requirement. The layouts of the trenches are guided by the boundary markers, which have been stuck into the ground. Personnel operating the excavator have to be trained and licensed to operate the excavating machine. Installations of pipeline are done in accordance to standard procedure, tender specifications and/or machine manufacturer requirements. After installation of pipeline, the trench will be reinstated as

according to requirement. Tests shall be performed to check the integrity of the pipeline in accordance to standard procedure, tender specification and materials recommendation. Approval is sought from the customers' authorised officer before testing.

Once the installation has been tested successfully, the remaining materials are to be returned to the store. The storeman/designated person will check on the return materials and store them in a proper manner. The project manager or site supervisor will take photographs of the works to show existing mains, and will submit to customers as per request. After the tests have been carried out to ensure compliance to contractual requirements, the installation is handed over to the customer. During the course of the installation, the customer may send its managers, engineers or technical specialists to monitor the progress of the works and to check on the quality being built into the installation by making sure that the installation is being built to specifications. However, after the installations of pipeline are completed by us, the customer will send their inspectors to witness tests to ensure the installation's safety and fitness for use. Should they discover any non-conformances, they will inform us to rectify it. Project manager or engineers shall retain records of release (handover), including test reports if any, as evidence of conformity to requirements. Reinstatement will be done in accordance to standard procedure as per customer's requirements.

Our accounting department is responsible for recording of accounts payables, receivables and preparation of progress claims (together with our project team) and invoices. Our project team will accurately reflect the works performed on the progress claims to be made to our customers (typically on a monthly basis). Upon receiving our progress claim, our customer will have its own personnel to review and approve the progress claim. We will then proceed to prepare and issue the corresponding invoice to our customers. Our credit terms to our customers are typically 30 to 45 days and our suppliers' credit terms to us are from 30 to 60 days. Normally, retention sum of 5% of the approved progress claims will be retained by our private customers.

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. In instances where our customers require performance bonds with an insurer or a financial institution made in favour to them, our administrative department will coordinate with the insurer or a financial institution and ensure that it is appropriately discharged at the end of the contract.

Post-project phase

Upon the completion and handover of our projects, we will typically receive a certificate of completion or notice of commencement of defect liability period from our customer, which indicates that our works have been completed, inspected and approved. From the date of substantial completion of our construction works, the defect liability period in respect of pipeline engineering construction works commence. We are required to rectify any defects brought to our attention during the defects liability period.

Upon completion of a job, the project manager or project engineer or site supervisor will check on the site reinstatement works. If there are any defects, the project manager or project engineer shall inform the site supervisor to rectify. Once the rectification has been completed, the site supervisor shall

re-inspect to ensure that the rectification has been suitably completed. The customers or representative will be invited to jointly inspect the rectification. The project manager or project engineer will record the corrective action done as per corrective and preventive action request.

After that, we will also have to submit a final account to our customers for approval, which will state all the work completed, the rates and prices including all variation orders. Our customers will typically review the final account to ensure that payments made, works completed are as per drawing, and to ascertain the balance amount of works (if any). We will, from time to time, also monitor our receipts and the return of retention monies for contracts with private customers. Upon substantial completion, the retention sum shall be released to us upon expiry of the defect liability period. During the Track Record Period, no deduction was made against the retention monies.

QUALITY CONTROL

We have a quality management system in place to ensure that we provide services that meet or exceed the requirements of our customers and relevant regulatory authorities. Our relevant quality control processes cover:

(i) Purchasing

As elaborated in the paragraph headed “Suppliers — Selection and monitoring of our suppliers and subcontractors” below, we have an approved suppliers and subcontractors list and our purchasing department will perform an assessment and evaluation of the suppliers and subcontractors based on various performance indicators, among others, their (i) ability to meet specified requirements; (ii) original manufacturer of the materials or products are used; (iii) satisfactory past performance and capability rendered; (iv) approval of first sample or satisfactory delivery of acceptable first order; (v) price; and (vi) customers’ recommendation. All approved vendors’ performance shall be monitored in terms of materials/products rejected, poor service or late delivery at receiving. The relevant personnel shall provide feedback to the purchasing executive on any non-conformances detected. The management shall at its discretion, re-evaluate or remove any vendors with poor performance from the approved vendor list.

(ii) Storage

Our purchasing executive shall verify purchased materials or products and services when delivered to us. Non-conforming items shall be returned to or claimed from the vendor. Our storekeeper or designated person shall provide proper storage space for products received by us or pending delivery. As our warehouse is unable to accommodate the storage of all the raw materials due to space constraints, raw materials such as pipes are generally delivered to the installation site on a just-in-time basis. However, pipe accessories such as bolts and nuts, tee-joints, fittings and other expensive materials like, machine parts and consumables are kept in our warehouse, which is controlled by the storekeeper. Materials, parts and consumables drawn from the warehouse shall be recorded in the “Store Record Book”.

Upon receiving raw materials at site, our site supervisor will inspect the quality of such raw materials. Upon detection of non-conformances during receiving inspection, the site supervisors or storekeeper will record the details of the non-conformances on the delivery order form. The project manager and purchasing executive will be informed. The project manager will evaluate the non-

conformances and make a decision if the supplier needs to be contacted. If there is a discrepancy in the delivery such as on the quantity and specification delivered, the purchasing executive will be informed to liaise with the supplier for a resolution to the problem. If the discrepancy is on the quality of the product, the project manager shall evaluate for the disposition. Depending on the results of the evaluation and circumstances, the non-conformances may be accepted or returned to the vendor. All rejected products shall be returned to the vendor when found not acceptable during receiving verification. Should there be reasons that the non-conforming product cannot be returned to the vendor or subcontractor immediately, it shall be segregated to prevent inadvertent use and appropriately identified.

It is our policy not to overstock and as such, materials and consumables are consumed in a relatively short period. Nevertheless, in order to ascertain the serviceability of the stock held, the storekeeper shall assess the available stocks in the storeroom regularly. Control of stock and issuance of material is by a material issuing voucher and a stock-list. Our storekeeper shall check the stock-list before sending to the office for daily tallying of material.

(iii) Monitoring and measurement of products and services

We monitor and measure products and services at appropriate stages to ensure that they conform to the product specification. Records of monitoring and measurement of products and services shall be maintained to demonstrate the conformance to acceptance criteria that meet customer requirements and specifications, including traceability to the person authorizing the release. The relevant assigned personnel are authorized to release products and services after confirmation of conformance to acceptance criteria. Product and services release shall not proceed to another stage or delivery until the planned verification have been completed and conformed to acceptance criterial. Any release of non-conformance must be approved or authorized by the customer.

(iv) Customer satisfaction

Our management will measure and analyse information to determine the level of customer satisfaction in meeting their expected requirements and needs. The measurement of customer satisfaction shall be performed at least once a year through internal assessment covering the number of written complaints, the number of corrective/preventive action requests raised pertaining to customer's complaints, the number of cases of rejects or returns from customer, the number of customer's audit findings and any other feedback from customer on the product and services performed. The measurement or analysis of customer satisfaction shall be recorded in a report after internal review. The findings will be discussed during the annual management review meeting. We also conduct annual internal audit to identify areas for continual improvement, in particular those to ensure compliance with ISO 9001:2015, OHSAS 18001:2007 and ISO 14001:2015 standards. No material complaints were received during the Track Record Period.

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CUSTOMERS

Type of customers

Our customers comprise mainly (i) gas, water, telecommunications and power utilities companies in the private sector; and (ii) Singapore government agencies such as those governing water utilities and catchment in the public sector. For the three years ended 31 March 2018 and the six months ended 30 September 2018, we had 6, 7, 9 and 9 customers with revenue contribution to us respectively. Public tenders put up by the Singapore government agencies are posted on GeBIZ while those from private sector construction companies mainly by invitation to quote or through the online portal of our customers.

Five largest customers

For the three years ended 31 March 2018 and the six months ended 30 September 2018, revenue from our five largest customers amounted to approximately S\$29.5 million, S\$28.4 million, S\$22.4 million and S\$13.2 million, representing approximately 99.9%, 99.9%, 96.0% and 94.0% of our revenue respectively. Revenue from our largest customer for the Track Record Period amounted to approximately S\$20.9 million, S\$21.0 million, S\$13.3 million and S\$3.8 million, representing approximately 71.0%, 74.0%, 57.0% and 27.1% of our revenue respectively.

The following table sets forth our five largest customers and their revenue contribution for the three years ended 31 March 2018 and the six months ended 30 September 2018 respectively:

For the year ended 31 March 2016

Customer	Business relationship since	Scope of services provided by our Group	Payment and credit terms	Revenue contribution		Revenue under a common group	% of revenue of our Group
				Aggregate amount S\$ million	% of revenue of our Group		
						S\$ million (Note 10)	
Customer A (Note 1)	1996	Supply and installation of gas pipeline	Payable by GIRO; 30 days credit term	20.9	71.0	N/A	N/A
Customer C (Note 2)	1995	Supply and installation of water pipeline	Payable by GIRO; 30 days credit term	4.3	14.6	N/A	N/A
Customer D (Note 3)	2009	Supply and installation of telecommunications cable	Payable by GIRO; 30 days credit term	2.9	9.8	N/A	N/A
Customer B (Note 4)	2012	Supply and installation of chilled water reticulation pipelines	Payable by cheque; 30 days credit term	1.1	3.6	N/A	N/A
Customer G (Note 5)	2014	Installation of chilled water pipeline	Payable by cheque; 30 days credit term	0.3	0.9	N/A	N/A
Total				<u>29.5</u>	<u>99.9</u>		

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For the year ended 31 March 2017

Customer	Business relationship since	Scope of services provided by our Group	Payment and credit terms	Revenue contribution		Revenue under a common group	% of revenue of our Group
				Aggregate amount S\$ million	% of revenue of our Group %		
Customer A (Note 1)	1996	Supply and installation of gas pipeline	Payable by GIRO; 30 days credit term	21.0	74.0	N/A	N/A
Customer C (Note 2)	1995	Supply and installation of water pipes	Payable by GIRO; 30 days credit term	5.5	19.2	N/A	N/A
Customer D (Note 3)	2009	Supply and installation of telecommunications cable	Payable by GIRO; 30 days credit term	1.2	4.4	N/A	N/A
Customer B (Note 4)	2012	Supply and installation of chilled water reticulation pipelines	Payable by cheque; 30 days credit term	0.6	2.1	N/A	N/A
Customer G (Note 5)	2014	Installation of chilled water pipeline	Payable by cheque; 30 days credit term	0.1	0.2	N/A	N/A
Total				<u>28.4</u>	<u>99.9</u>		

For the year ended 31 March 2018

Customer	Business relationship since	Scope of services provided by our Group	Payment and credit terms	Revenue contribution		Revenue under a common group	% of revenue of our Group
				Aggregate amount S\$ million	% of revenue of our Group %		
Customer A (Note 1)	1996	Supply and installation of gas pipeline	Payable by GIRO; 30 days credit term	13.3	57.0	13.7	58.5 (Note 11)
Customer C (Note 2)	1995	Supply and installation of water pipeline	Payable by GIRO; 30 days credit term	7.0	30.1	N/A	N/A
Customer B (Note 4)	2012	Supply and installation of chilled water reticulation pipeline	Payable by cheque; 30 days credit term	0.8	3.2	N/A	N/A
Sing and San Construction Pte. Ltd. (Note 6)	2017	Supply pipe jacking	Payable by cheque and GIRO; 30 days credit term	0.7	3.0	N/A	N/A
Customer D (Note 3)	2009	Supply and installation of telecommunications cable	Payable by GIRO and cheque; 30 days credit term	0.6	2.7	N/A	N/A
Total				<u>22.4</u>	<u>96.0</u>		

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For the six months ended 30 September 2018

Customer	Business relationship since	Scope of services provided by our Group	Payment and credit terms	Revenue contribution		Revenue under a common group	% of revenue of our Group
				Aggregate amount	% of revenue of our Group		
				S\$ million	%	S\$ million	(Note 10)
Customer C (Note 2)	1995	Supply and installation of water pipeline	Payable by GIRO; 30 days credit term	3.8	27.1	N/A	N/A
Customer F (Note 8)	2018	Supply and installation of power cable	Payable by GIRO; 30 days credit term	3.4	24.1	6.1	43.4 (Note 12)
Customer A (Note 1)	1996	Supply and installation of gas pipeline	Payable by GIRO; 30 days credit term	2.7	19.3	6.1	43.4 (Note 13)
Customer B (Note 4)	2012	Supply and installation of chilled water reticulation pipelines	Payable by cheque; 30 days credit term	1.8	12.8	N/A	N/A
Eigen Energy Pte. Ltd. (Note 7)	2018	Supply and installation of solar panels	Payable by GIRO; 30 days credit term	1.5	10.7	N/A	N/A
Total				13.2	94.0		

Notes:

- (1) Customer A is a private limited company incorporated in Singapore on 27 June 1995, being the only gas transporter licensed by the Energy Market Authority, is engaged in the business of transportation of piped gas. According to the F&S Report, the number of ongoing projects in 2017 that were initiated by Customer A took up approximately 77.0% in the gas pipeline segment. It currently serves more than 1.5 million customers from industrial, commercial and residential sector in Singapore. It is a wholly-owned subsidiary of a leading energy utilities company in Singapore, which holding company recorded revenues of approximately S\$4.1 billion and assets of approximately S\$19.2 billion in financial year ended 31 March 2018. Its ultimate holding company is a global investment company established and headquartered in Singapore to own and commercially manage investments and assets previously held by the Singapore government.
- (2) Customer C is a Singapore statutory body that is a national water agency that manages Singapore's water supply, water catchment and used water in an integrated way. According to the F&S Report, the number of ongoing projects in 2017 that were developed by Customer C amounted to approximately 67.0% of the overall projects that were in progress in the water pipeline segment. It manages the entire water system in Singapore including the management of water supply, sewerage and so forth. It is committed to secure a sustainable supply of water in Singapore by formulating effective plans and developing a series of maintenance and repair works on water systems including water pipes, water mains and others.
- (3) Customer D is a private limited company incorporated in Singapore on 23 January 1997 which is engaged in the business of running, operation, management and supply of telecommunication system. Since May 2017, it is (i) 51% owned by a company listed on the Singapore Exchange involving in global technology, defence and engineering group specialising in the aerospace, electronics, land systems and marine sectors and recorded recorded revenues of approximately S\$6.6 billion and assets of approximately S\$8.5 billion in financial year ended 31 December 2017; and (ii) 49% owned by the holding company of Customer A, being a leading energy utilities company in Singapore, which holding company recorded revenues of approximately S\$4.1 billion and assets of approximately S\$19.2 billion

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in financial year ended 31 March 2018. Its ultimate holding company is a global investment company established and headquartered in Singapore to own and commercially manage investments and assets previously held by the Singapore government.

- (4) Customer B is a private limited company incorporated in Singapore on 2 October 1998 which is engaged in the business of development of district heating and cooling system for the purpose of air cooling and other utility services. It services Mediapolis, Changi Business Park, one-north and Woodlands Water Fab Park, within a total plant installed capacity that exceeds 65,000 refrigeration tons. It is a wholly-owned subsidiary of a global company listed on the Singapore Stock Exchange with multi-businesses in offshore and marine, land, infrastructure, telecommunications and transportation, and capital holdings, which recorded revenues of approximately S\$6.0 billion and assets of approximately S\$28.1 billion in financial year ended 31 December 2017.
- (5) Customer G is a private company incorporated in Singapore on 18 September 2001, which is engaged in the business of provision of plumbing, heating and air conditioning services. It is a wholly-owned subsidiary of a company established in Japan in February 1956 with paid-up capital of JPY3,500 million, which is a leading company in the heating ventilation air conditioning industry with employees of over 2,100 and operations in various countries such as Japan, Hong Kong, Taiwan and South East Asia.
- (6) Sing and San Construction Pte. Ltd. is a private company incorporated in Singapore on 21 May 1984, which is engaged in the business of construction of other civil engineering projects in Singapore. It is graded “C2” under CW01 workhead “General building”, “B2” under the CW02 “Civil engineering” workhead and “L6” under the “CR07” workhead “Cable/Pipe laying and road reinstatement”, amongst other gradings.
- (7) Eigen Energy Pte. Ltd. is a private company incorporated in Singapore on 8 July 2015, which is engaged in the business of engineering design and consultancy services in energy management and clean energy systems. in Singapore.
- (8) Customer F is a public company incorporated in Singapore on 7 March 2003 which is engaged in the business of transaction and distribution of electricity. It is a wholly-owned subsidiary of a leading energy utilities company in Singapore, which holding company recorded revenues of approximately S\$4.1 billion and assets of approximately S\$19.2 billion in financial year ended 31 March 2018. Its ultimate holding company is a global investment company established and headquartered in Singapore to own and commercially manage investments and assets previously held by the Singapore government.
- (9) In respect of customers which are within the same group, they will not be considered as one customer and our revenue from different customers of the same group will not be aggregated if (i) they are separate legal entities; and (ii) have different decision making units in respect of giving orders to us.
- (10) For illustration purpose only, which included other members of the group controlled by the same ultimate holding company, despite being separate legal entities and having different decision maker.
- (11) Including one other customer in the common group of Customer A.
- (12) Including Customer A and one other customer in the common group of Customer F.
- (13) Including Customer F and one other customer in the common group of Customer A.

Customer concentration

For the three years ended 31 March 2018 and the six months ended 30 September 2018, our five largest customers accounted for approximately 99.9%, 99.9%, 96.0% and 94.0% of our revenue, respectively. In particular, Customer A, being our largest customer for each of the three years ended 31 March 2018 and one of the five largest customers for the six months ended 30 September 2018, which accounted for approximately 71.0%, 74.0%, 57.0% and 19.3% of our revenue, respectively. Despite such customer concentration, our Executive Directors consider that we are not reliant on our five largest customers and are capable of maintaining our revenue in the future because:

- (i) the market for gas pipeline engineering services in Singapore is dominated by a few large pipeline contractor companies. According to the F&S Report, the segment of gas pipeline engineering market was concentrated with an aggregated market share of approximately 42.4% for the top five market players, which represented a market value of approximately S\$52.7 million for the year ended 31 March 2018 in terms of revenue. In addition, Frost & Sullivan is of the view that our Group's level of customer concentration is in line with the industry norm. For instance, in 2017, revenue generated from the top three customers of the top five players in the infrastructural pipeline engineering market and the gas pipeline segment accounted for more than 80% of their overall revenue respectively. This is mainly because as at the Latest Practicable Date, there were only 12 companies registered under the workhead CR07 (Cable/Pipe laying and road reinstatement) in the Contractors Registration System with a "L6" grade. Our Directors noted that some of the companies registered under the workhead CR07 "L6" grade only provided limited range of services for a particular industry while our Group is capable of providing a wide range of services covering gas, water telecommunication and power industries. During the Track Record Period, we provided services to, among others, Customer A, which is the only gas transporter licensed by the Energy Market Authority engaged in the business of transportation of piped gas in Singapore; Customer C, which is the only Singapore statutory body that is a national water agency that manage Singapore's water supply, water catchment and used water in an integrated way; and Customer D, which is engaged in the business of running, operation, management and supply of telecommunication system in Singapore; as well as Customer B, which is engaged in the business of development of district heating and cooling system for the purpose of air cooling and other utility services. Therefore there is to a certain extent a mutual reliance on these customers on our expertise in rendering our comprehensive range of services, which availability is limited in the market;

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- (ii) some of our five largest customers such as Customer A, Customer C, Customer D and Customer B and us have a complementary relationship. Please see table below a summary of engagements with Customer A, Customer C, Customer D and Customer B for the periods indicated:

	No. of projects involved during the Track Record Period ⁽¹⁾	Total contract value ⁽²⁾	Revenue recognised during the three years ended 31 March			Revenue recognised during the six months ended 30 September 2018	Tender success rate during the Track Record Period and up to the Latest Practicable Date
			2016	2017	2018		
		S\$' million	S\$' million	S\$' million	S\$' million	S\$' million	%
Customer A	20	109.7	20.9	21.0	13.3	2.7	28.6
Customer C	3	30.6	4.3	5.5	7.0	3.8	12.5
Customer D	4	8.1	2.9	1.2	0.6	0.1	33.3
Customer B	4	13.7	1.1	0.6	0.8	1.8	100.0

Notes:

- Total number of projects with revenue contribution regardless of the issuance of certificates of substantial completion during the Track Record Period.
- Total contract value of the projects in Note 1.

We are a market leader in the provision of infrastructural pipeline construction and related engineering services in Singapore. We have been working closely with each of these customers for periods ranging from six to 23 years, supplying services that meet their requirements in a timely manner. It is generally difficult for new entrants to the market with insufficient industry expertise and servicing capacity to attain to such position. Our project opportunities were either originated from GeBIZ, the Singapore government's one-stop e-procurement portal or private tenders through invitation or posted on our customers' own online portal. With our established track records over the past 25 years, we believe that we are well positioned and capable to provide our services to our customers. During the Track Record Period, there has been no change in our tender strategy with these customers. Furthermore, Customer A is the only gas transporter, which is licensed by the Energy Market Authority and engaged in the business of transportation of piped gas in Singapore. Our Directors believe that we are one of the few leading providers in Singapore which are able to meet the quality requirements of Customer A. We have been awarded by Customer A as their top five contractors for civil engineering and construction related works for the period of 1 April 2017 to 31 March 2018.

District cooling pipeline projects of Customer B are specialised type of pipeline projects. Based on our Executive Directors' knowledge, there are no other local contractors who are able to provide such services to Customer B. According to the F&S Report, between the period of 2013 to 2017, our Group was the only identified contractor undertaking district cooling pipeline projects in Singapore. Accordingly, we are generally able to maintain a competitive edge in terms of tender and pricing strategies for Customer B. Save for Customer B, we generally adopt the same tender and pricing strategies to all our other customers;

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- (iii) we continue to diversify our customer base by establishing long-term relationship with other customers and offer new services to increase sales to other customers. We regularly engage our customers to discuss about their requirements and feedbacks on our services to ensure our customers' satisfaction. We maintain constant contact with our customers' senior management as well as their working teams. Since December 2017 and May 2018, we were involved in our first solar panel installation project and secured a tender for cable installation for fellow subsidiaries of Customer A, which are (i) engaged in research and development of environment and clean technologies; and; (ii) engaged in the provision of services in connection with the transmission and distribution of electricity, respectively, in order to diversify our services and reduce customer concentration. We will continue to seek out opportunities in other industries to provide us with more business opportunities with different customers in the market and therefore decrease our reliance on Customer A for revenue generation;
- (iv) in relation to Customer A, our largest customer for the Track Record Period, we are not the exclusive supplier to them and not restricted from rendering similar services to other customers. All tenders with Customer A are on a competitive tender basis via its own online portal and our track record with it allowed us to be familiar with its requirements and thus place us in an advantageous position when competing for tenders. In the unlikely event that our relationship with Customer A is terminated for whatever reason, our Group can still work with other customers in other infrastructure industries such as the water pipeline industry (where Customer C and Customer B are in), the telecommunication cable industry (where Customer D is in) and the solar panel installation (where Eigen Energy Pte. Ltd. is in) as we offer a wide range of services that not many of our competitors are capable of rendering. Most of these customers are leading utilities companies, which our Group has served for more than six years. Our Directors believe that, if we change our tender strategy to be more aggressive in terms of pricing, given our long established business relationship and past track records with these customers, our Directors do not foresee to have any difficulties to secure more projects from these customers. According to the F&S Report, in addition to projects that are developed by Customer A, the pipeline engineering market in Singapore exists other opportunities created by alternative customers. For instance, the Land Transport Authority, who is responsible for transport system in Singapore has also developed a series of projects in recent years. The number of ongoing projects in 2017 developed by the Land Transport Authority took up a share of approximately 25% in the segment of gas infrastructural pipeline engineering market when its share in the water pipeline segment was approximately 16.7% as measured by the number of ongoing projects in 2017. With the new jacking machines that we are going to acquire and additional manpower that we will hire, we will have more capacity to extend our services to more new customers. In addition, we would also seek to expand more business opportunities with Customer B, whose number of ongoing projects in 2017, according to the F&S Report, accounted for approximately 67.0% of the overall projects that were in progress in the water pipeline segment;

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- (v) our number of customers who contributed revenue increased by 50.0%, from 6 for the year ended 31 March 2016 to 9 for the year ended 31 March 2018. Such an increase in number of customers in the relevant period suggested that our Group has diversified and enhanced our customer base in order to decentralise our revenue generation mainly from Customer A. Please see table below a summary of engagements with customers (other than Customer A, Customer C, Customer D and Customer B) for the periods indicated:

	No. of projects involved during the Track Record Period ⁽¹⁾	Total contract value ⁽²⁾ S\$ million	Revenue recognised during the three years ended 31 March			Revenue recognised during the six months ended 30 September 2018 S\$ million
			2016 S\$ million	2017 S\$ million	2018 S\$ million	
Customer E	1	6.0	—	—	0.5	0.3
Customer F	1	4.7	—	—	—	3.4
Customer G	1	2.0	0.3	0.06	negligible	—
Eigen Energy Pte. Ltd.	1	1.8	—	—	—	1.5
Sing and San Construction Pte. Ltd.	1	1.5	—	—	0.7	0.4
Customer J	1	5.2	negligible	negligible	negligible	—
Customer K	1	0.7	0.07	—	—	—
Customer L	1	0.5	—	—	0.4	negligible

Notes:

1. Total number of projects with revenue contribution regardless of the issuance of certificates of substantial completion during the Track Record Period.
2. Total contract value of the projects in Note 1.

- (vi) our total revenue generated from Customer A decreased from approximately 71.0% for the year ended 31 March 2016 to approximately 57.0% during the year ended 31 March 2018 while our total revenue generated from Customer C increased from approximately 14.6% for the year ended 31 March 2016 to approximately 30.1% during the year ended 31 March 2018. Such a decrease in revenue from Customer A indicates that we did not place undue reliance on Customer A for revenue generation and demonstrates that we are able to source sales from other customers.

See section headed “Risk factors — A substantial amount of our revenue is derived from sales to Customer A, and any decrease or loss of business with Customer A could materially and adversely affect our business, financial condition and results of operations” for risk in relation to our relationship with our top five customers.

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Customer who is also our sub contractor

Eigen Energy Pte. Ltd. is one of our top five customers for the six months ended 30 September 2018 and also one of our subcontractors. It is a private company incorporated in Singapore principally engaged in the business of engineering design and consultancy services in energy management and clean energy systems in Singapore. We engaged Eigen Energy Pte. Ltd. for the supply and installation of energy storage system in another project as our subcontractor because of their technical expertise. We supplied and installed solar panels to Eigen Energy Pte. Ltd. where we acted as a subcontractor. The value and type of transactions with Eigen Energy Pte. Ltd. during the Track Record Period is as below:

	For the year ended 31 March			For the six months ended
	2016	2017	2018	30 September 2018
<i>Eigen Energy Pte. Ltd. as our customer</i>				
— Our total revenue from Eigen Energy Pte. Ltd. as percentage of our total revenue (approximate %)	0	0	0	10.7
Gross profit for the contracts where we provided solar panel installation services to Eigen Energy Pte. Ltd. (approximate S\$'000)	0	0	0	117
<i>Eigen Energy Pte. Ltd. as our subcontractor</i>				
— As percentage of total cost of sales (approximate %)	0	0	2.1	0

Eigen Energy Pte. Ltd. is an Independent Third Party. Our Directors confirmed that the terms of the transactions and contracts with Eigen Energy Pte. Ltd. (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 Eigen Energy Pte. Ltd..

Save as disclosed above, none of our five largest customers during the Track Record Period is also our supplier or subcontractor, and all are Independent Third Parties. 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 Share Offer and the Capitalisation Issue, had any interest in any of our five largest customers during the Track Record Period. There were no material disputes with our five largest customers during the Track Record Period.

KEY CONTRACT TERMS WITH CUSTOMERS

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.

Contract sum

Our contract normally states the agreed price according to the scope of works as stipulated in the contract. The contract sum will typically be specified as a fixed or lump sum amount. There is also typically a schedule of rates, which form a basis for the calculation of any variation of works.

For term contracts, our customer generally provides the breakdown of forecasted works required with provisional quantities of materials. Based on the forecasted works and provisional quantities, a provisional contract sum will be stated in the term contract. However, actual contract sum is dependent on work orders placed by customers and valued based on the rates stated in our tender or a schedule of rates provided by our customers during the tender stage.

Duration

The duration will typically be stated in the contract and is usually between 12 to 24 months for infrastructural pipeline construction and related engineering services, depending on the scope, scale and complexity of the project.

Scope of work

The scope and specification of works for infrastructural pipeline construction and related engineering services projects undertaken by us are set out in the tender documents which include detail drawings, equipment and materials to be used.

Terms of payment

Terms of payment are subject to the BCISPA, details of which are set out in the section headed “Regulatory overview”. Under the 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. In respect of our contracts, progress claims are to be certified by the customer within 21 calendar days from the submission of our progress claims and payment should be made within 35 days of such certification. We submit progress claims monthly or upon completion of each work order to our customers for approval. Customers may also specify the agreed credit term in the contract, typically from 21 to 35 days.

Performance bonds

For contracts with our customers, a security deposit or performance bond is typically required by our customers. This is typically 5% to 10% of the contract sum and is to remain in effect until after the defect liability period or upon issue of the final completion certificate. This security deposit is in the form of cash deposit or a performance bond in the form of an unconditional on-demand guarantee in a prescribed form for a specified amount from a local bank, a local finance company or a local insurance company registered with the Monetary Authority of Singapore. Our customer may utilise the security

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deposit or performance bond to make good any loss or damage sustained or likely to be sustained as a result of any breach of contract by us, including any claim for liquidated damages. We did not experience any claim on any performance bonds during the Track Record Period.

Retention money

A portion of the contract value, normally 5% is withheld by our private customers as retention money, which will be released upon substantial completion and after the defect liability period (usually 12 to 24 months from substantial completion date) and upon issuance of final completion certificate. The substantial and final completion certificates are certificates issued by the customer's representative to us to acknowledge that the projects are completed. Substantial completion implies that the works to be completed under the contract have been duly completed, and that there is no apparent defect. It is the start of the defect liability period. Final completion implies acceptance by the customer of all our obligations under the contract, and the corresponding certificate is usually issued after the end of the defect liability period.

Defect liability period

Our contracts will include a defect liability period, during which we are responsible to rectify works defects at no extra cost to the client. The defect liability period is usually 12 to 24 months from the substantial completion date. If the materials used are defective, 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. The cost incurred to rectify defective works or products during the Track Record Period was immaterial. There was no significant customer complaint during the Track Record Period.

Foreign workers

We are responsible for ensuring that our workers possess a valid work permit prior to submitting our list of workers to our customers for registration. Workers that have not been registered are not permitted to enter the work site. We shall not employ any illegal workers. We are liable for and shall indemnify our customers against any losses or liabilities arising from our hiring of illegal immigrants for the relevant project. During the Track Record Period and up to the Latest Practicable Date, (i) we did not hire any illegal immigrants; and (ii) no action or notifications were taken against us or issued to us in connection with hiring of illegal immigrants.

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 (for which extension of time have not been granted to us) that result in liquidated damages imposed on our customer, we shall reimburse the customer for some or all of the incurred liquidated damages. Save as disclosed in the section headed "Litigation and claims — Litigation" in this section, 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.

Insurance

Insurance in relation to on-site activities will be covered by our all risks insurance, public liability and work injury compensation insurance. We are however also required to procure our own insurance for the protection against any loss or damage to our plant and machinery at the work site. For the details of insurance policies taken out by our Group, please see the paragraph headed “Insurance” below.

Termination

Our contracts can typically be terminated by the customer if, among others, we (i) have abandoned the work or any phase or part of the work; (ii) have failed to proceed with the work or any phase or part of the work with due diligence or with the requisite competence; (iii) breach any term (whether express or implied) of the contract; (iv) use materials which does not conform to description or specifications, and/or has undersupplied materials; (v) make false representations or provide false information; (vi) fail to provide a performance bond; or (vii) become bankrupt or insolvent. During the Track Record Period, none of our contracts were terminated pursuant to the termination clause.

SUPPLIERS

Our purchases of goods from suppliers in Singapore are mainly purchases of pipes, asphalt premix, backfilling materials and diesel. See section headed “Financial information — Significant factors affecting our financial condition and results of operations — Fluctuation in cost of sales” for sensitivity analysis on our direct costs.

Relationship with suppliers

We have over four years of relationship with majority of our five largest suppliers and we have received good support from them in terms of pricing and delivery of their supplies and services. All of our five largest suppliers during the Track Record Period are based in Singapore and Malaysia and none of them is also our customer during the Track Record Period. We have not experienced any shortage of materials during the Track Record Period, and we have more than one supplier on our approved suppliers list for each major category of goods and services that we purchase. During the Track Record Period, we have not had any material disagreement nor dispute with any of our suppliers, and we do not foresee any material difficulties in sourcing materials in the future.

Selection and monitoring of our suppliers and subcontractors

We make our purchases based on needs and progress of individual projects. We will first obtain quotations for all key categories of goods and services required during the tender phase, and should we be awarded the contract, we will contact the suppliers and subcontractors that we have obtained quotations and select based on pricing, quality and compliance to specifications amongst other factors. There will typically be at least three quotations sourced for the same category of purchases to ensure that we have received competitive quotations.

We maintain an approved suppliers and subcontractors list for those who have passed our assessment criteria; for suppliers and subcontractors who are first admitted into the list, we will have reviewed their performance based on, among others, their (i) competitiveness in terms of pricing; (ii) quality of products or services; (iii) availability of quality services and support; (iv) on-time delivery; (v) credible recommendation and reference from third party; (vi) track record; and (vii) certifications in quality, environmental and work safety. This assessment is performed by our purchasing department and submitted to our Executive Directors for approval. On a yearly basis, our purchasing department will monitor and review the performance of our suppliers and subcontractors. An overall scoring will be provided and any supplier who receives a scoring less than the minimum score will be removed from the approved suppliers list. As at 30 September 2018, there were over 270 suppliers (including subcontractors) on our approved suppliers and subcontractors list. Please also refer to the paragraph headed “Quality control” above for details of our in-coming inspection procedures.

Principal terms of engagement of suppliers

Generally, quotations from our suppliers contain terms relating to the unit price, types and specifications of the materials, payment terms and delivery. We do not enter into any long-term agreement with our suppliers. However, during the Track Record Period, we entered into a contract with a steel pipe supplier on a project basis which the relevant supplier agreed to provide delivery of certain steel pipes for a period of up to 44 weeks after signing of contract as we then expected to have significant purchases of such steel pipes. The credit terms offered to us are generally 30 to 60 days. For our material purchases, we will issue a purchase order with the order quantity required for a particular project, with delivery schedules at different times during the course of the project.

Five largest suppliers

For the three years ended 31 March 2018 and the six months ended 30 September 2018, purchases from our five largest suppliers amounted to approximately S\$3.2 million, S\$4.9 million, S\$2.9 million and S\$2.3 million, and accounted for approximately 14.6%, 21.7%, 18.6% and 31.5% of our total cost of sales respectively. Purchases from our largest supplier for the same periods amounted to approximately S\$1.0 million, S\$2.3 million, S\$1.8 million and S\$1.3 million, and accounted for approximately 4.6%, 10.3%, 10.9% and 17.2% of our total cost of sales respectively. The following tables set forth our five

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largest suppliers for each of the three years ended 31 March 2018 and the six months ended 30 September 2018 respectively:

For the year ended 31 March 2016

Name of supplier	Business relationship since	Main types of goods/services supplied to our Group	Payment and credit terms	Approximate amount of purchase S\$ (million)	Approximate percentage to our Group's total cost of sales %
CPP Global Products Pte. Ltd. (Note 1)	2007	Supply of PE pipes and fittings	Payable by cheque, 60 days	1.0	4.6
Supplier A (Note 2)	2014	Supply of RC jacking pipes	Payable by cheque, 30 days	0.9	4.1
Supplier B (Note 3)	2009	Supply of asphalt premix	Payable by cheque, 30 days	0.7	3.1
Creative Polymer Industries Pte. Ltd. (Note 4)	2007	Supply of PVC pipes and fittings	Payable by cheque, 30 days	0.3	1.6
Soon Yong Huat Construction Pte. Ltd. (Note 5)	2015	Supply of granite and quarry dust	Payable by cheque, 30 days	0.3	1.2
Total				<u>3.2</u>	<u>14.6</u>

For the year ended 31 March 2017

Name of supplier	Business relationship since	Main types of goods/services supplied to our Group	Payment and credit terms	Approximate amount of purchase S\$ (million)	Approximate percentage to our Group's total cost of sales %
CPP Global Products Pte. Ltd. (Note 1)	2007	Supply of PE pipes and fittings	Payable by cheque, 90 days	2.3	10.3
Supplier A (Note 2)	2014	Supply of RC jacking pipes	Payable by cheque, 30 days	1.2	5.4
Hwa Yew Iron Works Pte. Ltd. (Note 6)	2014	Supply of carbon steel pipes	Payable by cheque, 60 days	0.7	3.0
Supplier B (Note 3)	2009	Supply of asphalt premix	Payable by cheque, 30 days	0.4	1.6
Supplier C (Note 7)	2014	Provision of pipe bending services	Payable by telegraphic transfer, 30 days	0.3	1.4
Total				<u>4.9</u>	<u>21.7</u>

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For the year ended 31 March 2018

Name of supplier	Business relationship since	Main types of goods/services supplied to our Group	Payment and credit terms	Approximate amount of purchase S\$ (million)	Approximate percentage to our Group's total cost of sales %
Hwa Yew Iron Works Pte. Ltd. (Note 6)	2014	Supply of carbon steel pipes	Payable by GIRO, 60 days	1.8	10.9
CPP Global Products Pte. Ltd. (Note 1)	2007	Supply of PE pipes and fittings	Payable by cheque, 90 days	0.7	4.5
Supplier B (Note 3)	2009	Supply of asphalt premix	Payable by cheque, 30 days	0.2	1.5
United E&P Pte. Ltd. (Note 8)	2016	Supply of asphalt premix	Payable by cheque, 30 days	0.1	0.9
Supplier D (Note 9)	2016	Supply of concrete	Payable by cheque, 30 days	0.1	0.8
Total				<u>2.9</u>	<u>18.6</u>

For the six months ended 30 September 2018

Name of supplier	Business relationship since	Main types of goods/services supplied to our Group	Payment and credit terms	Approximate amount of purchase S\$ (million)	Approximate percentage to our Group's total cost of sales %
REC Solar Pte. Ltd. (Note 10)	2018	Supply of solar panels	Payable by cheque advance payment	1.3	17.2
CPP Global Products Pte. Ltd. (Note 1)	2007	Supply of thermoplastic piping systems	Payable by GIRO, 90 days	0.3	4.4
Supplier E (Note 12)	2013	Supply UPVC pipes	Payable by GIRO, 30 days	0.3	4.0
Nam Leong Co Pte. Ltd. (Note 11)	2007	Supply of carbon steel pipes	Payable by GIRO, 30 days	0.2	3.0
Supplier B (Note 3)	2009	Supply of asphalt premix	Payable by cheque, 30 days	0.2	2.9
Total				<u>2.3</u>	<u>31.5</u>

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Notes:

- (1) CPP Global Products Pte. Ltd. is a private limited company incorporated in Singapore on 22 January 1992. It is one of the leading suppliers of products and services for thermoplastic piping systems in Singapore.
- (2) Supplier A is a private limited company incorporated in Malaysia on 10 October 2007. It is principally engaged in the business of fabrication, marketing and trading of concrete products.
- (3) Supplier B is a private limited company incorporated in Singapore on 22 July 1975. It is engaged in the business of manufacturing of asphalt premix and is graded “C1” under the CW02 “Civil engineering” workhead and “L6” under the “CR14” workhead “Asphalt works and road marking” by the BCA.
- (4) Creative Polymer Industries Pte. Ltd. is a private limited company incorporated in Singapore on 8 February 1994. It is principally engaged in the business of manufacturing of polymer extrusion and injection products for civil engineering and infrastructure construction industry.
- (5) Soon Yong Huat Construction Pte. Ltd. is a private limited company incorporated in Singapore on 8 May 2015. It is principally engaged in the business of recycling of construction and demolition waste.
- (6) Hwa Yew Iron Works Pte. Ltd. is a private limited company incorporated in Singapore on 13 January 1976. It is a manufacturer and supplier of stainless steel kitchen sinks, welded ornamental pipes, BS EN 10312 pipes for water conveyance, steel water tanks, steel casing/cement-lining pipes, stainless steel sheets, plates and flat bars.
- (7) Supplier C is a private limited company incorporated in Singapore on 10 August 1990. It is principally engaged in the business of supplying of pipe bends, pipes, flanges, fittings and forgings material.
- (8) United E&P Pte. Ltd. is a private limited company incorporated in Singapore on 18 July 2013. It is an L5 registered contractor for asphalt works and road making (CR14 workhead) with the BCA.
- (9) Supplier D is a private limited company incorporated in Singapore on 6 October 2001. It is principally engaged in the business of manufacturing and supplying of ready mixed concrete and cement. It is a wholly-owned subsidiary of a company listed on the Singapore Stock Exchange with operations in four Asian countries and is a global leader in concrete technologies harnessing innovation and cutting-edge technology to develop high-specification, sustainable concrete solutions. It is Singapore’s largest supplier of ready mixed concrete and cement, with a growing footprint in Indonesia, Malaysia and Vietnam, where it is also the largest concrete supplier in Ho Chi Minh City. It has a total workforce exceeding 1,200 people, which recorded revenues of approximately S\$629.3 million and profits after tax of approximately S\$24.3 million in the financial year ended 31 December 2017.
- (10) REC Solar Pte. Ltd. is a private limited company incorporated in Singapore on 19 December 2007. It is principally engaged in the business of manufacturing of solar panels. It is a member of a group of companies founded in Norway in 1996 which employs over 2,000 employees worldwide.
- (11) Nam Leong Co Pte. Ltd. is a private limited company incorporated in Singapore on 24 January 1958. It is principally engaged in the business of, among others, supply of carbon steel pipes.
- (12) Supplier E is a private limited company incorporated in Singapore on 1 April 1993. It is principally engaged in the business of manufacturing of plastic pipes and tubes and building construction.

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 completion of the Share Offer and the Capitalisation Issue, had any interest in any of our five largest suppliers during the Track Record Period.

SUBCONTRACTORS

During the Track Record Period, we had engaged subcontractors for services such as the supply and install of metal products, non-destructive testing, milling and patching works, and electrical works as we do not have the expertise to carry out such services in-house. We had taken into consideration such costs during the tender phase of the respective projects. During the Track Record Period, the subcontracting cost accounted for approximately 33.2%, 23.8%, 15.8% and 12.0% of the cost of sales for the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively.

We have over three years of relationship with majority of our five largest subcontractors and we have received good support from them in terms of pricing and deliver of their services. All of our five largest subcontractors during the Track Record Period are based in Singapore and Malaysia. We have not experienced any shortage of services during the Track Record Period, and we have more than one subcontractor on our approved suppliers and subcontractors list for each major category of services that we require. During the Track Record Period, we have not had any material disagreement nor dispute with any of our subcontractors, and we do not foresee any material difficulties in sourcing services in the future. Our selection and monitoring process of our subcontractors are similar to our suppliers. See section headed “Suppliers — Selection and monitoring of our suppliers and subcontractors” for further details.

Principal terms of engagement of subcontractors

Generally, the contracts with our subcontractors contain terms relating to the subcontract price, subcontract period, the scope of works of the subcontractor, the payment terms, retention money, defect liability period provisions, performance bonds, liquidated damages and termination. Our subcontractors submit monthly payment claims to be approved by us and will typically bear all the associated costs to fulfil their scope of works, including but not limited to, labour, material purchases and machinery and equipment to carry out the subcontracted works. The credit terms offered to us generally range from 14 days to 60 days.

Five largest subcontractors

For the three years ended 31 March 2018 and the six months ended 30 September 2018, purchases from our five largest subcontractors amounted to approximately S\$5.9 million, S\$3.8 million, S\$1.5 million and S\$0.6 million, and accounted for approximately 26.0%, 16.7%, 9.6% and 8.7% of our total cost of sales respectively. Purchases from our largest subcontractor for the same period amounted to approximately S\$4.2 million, S\$2.4 million, S\$0.8 million and S\$0.2 million, and accounted for approximately 18.5%, 10.5%, 5.1% and 3.0% of our total cost of sales respectively. The following tables

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set forth our five largest subcontractors for each of the three years ended 31 March 2018 and the six months ended 30 September 2018 respectively:

For the year ended 31 March 2016

Name of subcontractor	Business relationship since	Main types of services supplied to our Group	Payment and credit terms	Approximate amount of purchase S\$ (million)	Approximate percentage to our Group's total cost of sales %
Chuan Kheng Metal Engineering (Note 1)	2015	Supply and installation of metal products	Payable by cheque, cash on delivery	4.2	18.5
2K International Pte. Ltd. (Note 2)	2015	Construction of shafts	Payable by cheque, 30 days	0.9	3.8
Supplier B (Note 3)	2009	Milling and patching asphaltic wearing course	Payable by cheque, 30 days	0.3	1.4
HP Contractor Pte. Ltd. (Note 4)	2015	Pipe-jacking operator services	Payable by cheque, cash on delivery	0.3	1.3
ACE Quality Testing & Inspection Services Pte. Ltd. (Note 5)	2013	Non-destructive testing services	Payable by cheque, 30 days	0.2	1.0
Total				<u>5.9</u>	<u>26.0</u>

For the year ended 31 March 2017

Name of subcontractor	Business relationship since	Main types of services supplied to our Group	Payment and credit terms	Approximate amount of purchase S\$ (million)	Approximate percentage to our Group's total cost of sales %
Chuan Kheng Metal Engineering (Note 1)	2015	Supply and installation of metal products	Payable by cheque, cash on delivery	2.4	10.5
2K International Pte. Ltd. (Note 2)	2015	Construction of shafts	Payable by cheque, 30 days	0.5	2.1
HP Contractor Pte. Ltd. (Note 4)	2015	Pipe-jacking operator services	Payable by cheque, cash on delivery	0.5	2.0
Sofotec Singapore Pte. Ltd. (Note 6)	2015	Nominated sub-contractor for leak detection system	Payable by cheque or GIRO, cash on delivery	0.2	1.1
Subcontractor A (Note 7)	2012	Hot tapping equipments and services	Payable by cheque or telegraphic transfer, 30 days	0.2	1.0
Total				<u>3.8</u>	<u>16.7</u>

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For the year ended 31 March 2018

Name of subcontractor	Business relationship since	Main types of services supplied to our Group	Payment and credit terms	Approximate amount of purchase S\$ (million)	Approximate percentage to our Group's total cost of sales %
Subcontractor A (Note 7)	2012	Hot tapping equipments and services	Payable by cheque or telegraphic transfer, 30 days	0.8	5.1
Eigen Energy Pte. Ltd. (Note 8)	2018	Energy storage system	Payable by cheque or telegraphic transfer, 30 days	0.3	2.1
Willowglen Services Pte. Ltd. (Note 9)	2013	Electrical and instrumentation works	Payable by cheque, 30 days	0.2	1.1
ACE Quality Testing & Inspection Services Pte. Ltd. (Note 5)	2013	Non-destructive testing services	Payable by cheque, 30 days	0.1	0.7
Subcontractor B (Note 1)	2017	Pigging services	Payable by cheque or telegraphic transfer 10 days	0.1	0.6
Total				<u>1.5</u>	<u>9.6</u>

For the six months ended 30 September 2018

Name of subcontractor	Business relationship since	Main types of services supplied to our Group	Payment and credit terms	Approximate amount of purchase S\$'000	Approximate percentage to our Group's total cost of sales %
Asphalt Specialist Services Pte. Ltd. (Note 13)	2013	Milling and patching asphaltic wearing course	Payable by GIRO, 30 days	223	3.0
Subcontractor C (Note 11)	2014	Cathodic protection	Payable by GIRO, 30 days	137	1.9
Grid Tech Consultant Pte. Ltd. (Note 12)	2016	Topographical survey and cable detection works	Payable by GIRO, 30 days	119	1.6
Advantec Construction and Engineering Pte. Ltd. (Note 14)	2018	Supply, deliver and installation of insertions	Payable by cheque, 7 days	81	1.1
TGE Engineering Pte. Ltd. (Note 15)	2018	Cable installation	Payable by cheque, 14 days	80	1.1
Total				<u>640</u>	<u>8.7</u>

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Notes:

- (1) Chuan Kheng Metal Engineering is a partnership established in Singapore on 12 July 2005. It is principally engaged in the business of iron works, welding and installation works.
- (2) 2K International Pte. Ltd. is a private limited company incorporated in Singapore on 24 November 2004. It is principally engaged in the business of building construction.
- (3) Supplier B is a private limited company incorporated in Singapore on 22 July 1975. It is engaged in the business of manufacturing of asphalt premix and is graded “C1” under the CW02 “Civil engineering” workhead and “L6” under the “CR14” workhead “Asphalt works and road marking” by the BCA.
- (4) HP Contractor Pte. Ltd. is a private limited company incorporated in Singapore on 17 April 2015. It is principally engaged in the business of general contractors.
- (5) ACE Quality Testing & Inspection Services Pte. Ltd. is a private limited company incorporated in Singapore on 2 March 1989. It is principally engaged in the business of technical testing and analysis services.
- (6) Sofotec Singapore Pte. Ltd. is a private limited company incorporated in Singapore on 16 October 2000. It is principally engaged in the business of wholesale of industrial, construction and related machinery and equipment.
- (7) Subcontractor A is a private limited company incorporated in Singapore on 16 June 2004. It is principally engaged in the business of manufacture and repair of other oilfield and gasfield machinery and equipment.
- (8) Eigen Energy Pte. Ltd. is a private company incorporated in Singapore on 8 July 2015, which is engaged in the business of engineering design and consultancy services in energy management and clean energy systems in Singapore.
- (9) Willowglen Services Pte. Ltd. is a private company incorporated in Singapore on 16 December 1986, which is engaged in the business of computer systems integration activities in Singapore.
- (10) Subcontractor B is a private company incorporated in Malaysia on 25 November 2015, which is engaged in the business of supplies of valves for pipeline, petrochemical and general services to oil and gas, petrochemical and power generation sectors.
- (11) Subcontractor C is a private company incorporated in Singapore on 31 July 1997, which is engaged in the business of cathodic protection in Singapore.
- (12) Grid Tech Consultant Pte. Ltd. is a private company incorporated in Singapore on 25 October 2002, which is engaged in the business of general contractors (building construction including major upgrading works) and general building engineering design and consultancy services in Singapore.
- (13) Asphalt Specialist Services Pte. Ltd. is a private company incorporated in Singapore on 18 March 2002, which is engaged in the business of road construction based in Singapore.
- (14) Advantec Construction and Engineering Pte. Ltd. is a private company incorporated in Singapore on 4 April 2007, which is engaged in the business of general contractors (building construction including major upgrading works) and water and gas pipeline and sewer construction in Singapore.
- (15) TGE Engineering Pte. Ltd. is a private company incorporated in Singapore on 19 February 2016, which is engaged in the business of road construction in Singapore.

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 completion of the Share Offer and the Capitalisation Issue, had any interest in any of our five largest subcontractors during the Track Record Period.

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INVENTORY CONTROL

We typically make our purchases based on the services and works to be performed, and due to space constraints at our warehouse, larger components such as pipes are generally used upon delivery on-site on a just-in-time basis. Our inventories comprise low value consumables, such as small pipes and fittings including bolts and nuts and tee-joints are kept in the store at our premises, at a level based on our current needs and typically do not exceed an aggregate value of more than S\$300,000 and controlled by our storekeeper. Materials, parts and consumables drawn from the store shall be recorded in the “Store Record Book”. These parts are sourced in Singapore and are readily available. We monitor our inventory level on an on-going basis, including conducting inventory aging analysis and inventory stock count. In order to ascertain the serviceability of the stock held, the storekeeper shall assess the available stocks in the storeroom on a six-monthly basis. No provision has been made nor required to be made for our inventory during the Track Record Period. There were no inventories as at 31 March 2016 and 2017 due mainly to our low value consumables which were immaterial as we purchased mainly on an as-needed basis at that time. As at 31 March 2018 and 30 September 2018, we had inventories with carrying value of approximately S\$0.2 million and nil respectively.

MACHINERY AND EQUIPMENT

Our operations are generally capital intensive in nature as part of our works require machinery such as excavators for clearing the earth where our pipeline has to be laid, butt-fusion machines and electrofusion machines for polyethylene pipe jointing, plate compactors for compact of backfilling materials, road cutters to cut hard surfaces and pipe jacking machines. As at 30 September 2018, the carrying value of our plants and machinery and motor vehicles was approximately S\$8.9 million or approximately 91.3% of the total carrying value of our property, plant and equipment as at 30 September 2018, as the majority of our tools and machineries were fully depreciated. Minor maintenance and repair works of our machinery and vehicles are generally conducted by our in-house mechanics periodically. For complicated servicing of our machinery and vehicles, it will be conducted by external vendor, on an as-need basis. The average schedule downtime for maintenance and repair works per equipment ranged from one day to two weeks depending on the complexity of the repair and maintenance works. The machinery and motor vehicles are depreciated over five to ten years on a straight-line basis.

The details of the major machinery and equipment owned by us commonly used in our projects as at 30 September 2018 are as follows:

Type of machine/equipment	Number of units	Function and usage	Expected useful lives	Average years of use (approximate year)	Remaining useful life (approximate year)	Cost S\$'000	Whether fully depreciated Yes/No	Carrying value as at 30 September 2018 S\$'000
Excavators	41	Excavation	10 years	5.2	4.8	4,148	No	1,853
Jacking machine	8	For pipe jacking works	10 years	3.3	6.7	3,573	No	2,283
10-footer, 14-footer and 15-footer lorries	28	Transportation	5–10 years	4.1	5.9	2,048	No	1,374
Tipper trucks	15	Transporting loose materials	10 years	5.7	4.3	2,270	No	1,103

Notes:

- (1) The average years of use exceeded the useful lives for some of these tools as they continued to be in a condition safe for use.
- (2) Part of the tools that continued to be in use after five years were fully depreciated.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity.

QUALITY, ENVIRONMENTAL, HEALTH AND SAFETY MANAGEMENT SYSTEM

We have established a quality, environmental, health and safety (“QESH”) management system to ensure compliance with ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007. We are committed to provide our customers with quality products and services and maintaining a safe, healthy and green workplace to all our employees. We are also committed to provide prevent pollution, injury and ill health. We are dedicated to meet our customer’s expectation through continual improvement of our QESH system and ensuring that our projects are completed on schedule within the cost budget.

The QESH management system will allow us to obtain the ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 certifications, which is a requirement for bizSAFE Level Star and our registrations under the Contractor Registration System.

Quality

See section headed “Quality control” for further details on the quality plans and control processes.

Environmental

We have established the following environmental control procedures relevant to our business operations:

(i) Waste management

Wastes shall be disposed by licensed waste collectors. As part of the environmental control for waste management during construction or re-work, the waste shall be quantified and identified by types on a monthly basis using the waste tracking form.

(ii) Use of chemical

All paints and thinner or chemical containers must be stored properly with the cap closed or within containment to prevent spillage. In the event of spillage, clean up with rag and disposed as chemical waste. All empty containers shall be treated as chemical waste and disposed according to manufacturer instructions. To ensure that unused paints and chemicals are disposed according to manufacturer instructions. Whenever possible recommend to customer for the use of paint with low volatile organic compounds.

(iii) Excavation/hacking works

Always switch off the excavator during breaks, do not leave the power on. Collect the debris in plastic bags or bins and disposed in designated dumping ground or construction site that requires hard core. Wet the structure whenever possible to reduce the emission of dust, ensure that permit is applied to the relevant authority whenever demolition/hacking is required. The hardcore from demolition/hacking are to be contained and disposed at the hardcore collection area or designated NEA dumping ground.

(iv) Carpentry/form works

Empty glue container must be disposed according to the manufacturer instructions or disposed as a chemical waste. Empty containers are returned to the supplier for proper disposal whenever possible. Waste wood must be disposed properly. Illegal dumping can result in fines and is not allowed. Whenever possible, we collect waste wood for disposal at as construction waste.

(v) Vehicular emission

All mechanical powered auto equipment (including lorry and excavator) shall be switched off when it is in station for more than 15 minutes. We also check to ensure that there is no black or white smoke.

(vi) Electrical works

Used wires can be disposed as general waste, if there are large quantity. We always collect it in bags for recycling by selling it to the waste collectors.

(vii) Piping

Broken piping is classified as inorganic waste, which has to be disposed of at designated collection centers. Whenever possible, we collect the old piping and return them to the vendor for disposal and/or exchange.

(viii) Water conservation

As far as possible, design for site office and head office layout should take into opportunity for water conservation. This include collecting rain water for washing purposes, ensuring that taps and piping are water tight.

During the Track Record Period and up to the Latest Practicable Date, we did not record any material non-compliance with applicable environmental regulations. Our annual cost of compliance with applicable environmental regulations during the Track Record Period was not material.

Health and safety

We have established the safe work procedures relevant to our business operations. The project team is responsible for ensuring compliance to the safe work practices while safety officer and/or supervisor are responsible for enforcing the safe work practices on site. Our project manager will prepare the project QSHE plan for Executive Director or management representative for approval. The

project plan will cover all requirements for quality safety and health with relevant schedule and drawing control list. A copy of the project QSHE plan shall be maintained at the site office. The WSH officer or safety supervisor will formulate the safety programme upon mobilisation to the worksite. At commencement of the project, the WSH officer and the safety supervisor will identify the statutory and regulatory requirements applicable to the project and ensure compliance. Relevant approvals from the applicable statutory and regulatory bodies will be obtained when necessary. The WSH officer and safety supervisor shall review the requirements together with the project manager. The WSH officer and safety supervisor shall conduct monthly safety inspection or according to the requirements specified in the contract document. All employees will be issued and equipped with the necessary equipment according to the regulatory requirements.

We also have procedures to address potential occurrence of accidents and emergencies that may happen within our office or at the project sites. Our fire warden together with the project team will identify those areas and activities that are having potential accidents and emergency situations and the appropriate preparedness and responses. We ensure the approved fire emergency plan is abided by all staff and is kept updated, as and when necessary. Other safety procedures at project sites are as follows:

(i) Excavation

We have safety procedures dealing with excavation such as to notify MOM at least 30 days before carrying out excavation works (with deep excavation below 4 meters depth). We will verify the position of all underground installations such as sewers, gas pipelines, water pipelines and power cables before commencing works and will provide the necessary protection to the underground installations in accordance with the requirements of the authorities.

(ii) Use of construction equipment

Our safety procedures set out procedures for safe use of construction equipment including but not limited to excavator, mobile crane and hoisting machines to require only trained and competent person to operate the equipment, to use the appropriate speed limit suitable to the topography and geological conditions of worksite, to prevent the fall of the construction equipment, so as to protect our workers and neighbours from unwanted incident.

(iii) Other safety procedures

Our safety procedures also set out procedures for handling hot work and welding, prevention of fire, handling of electrical and working at height to prevent our workers from unwanted incident.

We also have emergency response procedures to handle actual emergencies. The management will be notified by the site staff regarding an emergency by individual hand phones, radios or public address system. Alarm will be raised and all staff shall immediately evacuate after hearing the alarm. The respective head of department is then responsible to account for all employees at the assembly point. First aider or fire warden shall lead rescue of trapped or injured persons. Injured employees will be carefully moved out of the area of concern by the fire warden. The incident must be reported to the applicable government agencies and client for accident involving injuries to workers and property and environmental damages. The fire warden will determine and announce when the building or area is safe to enter. All spill or rubble will be cleaned up by

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workers equipped with the necessary equipment. The project team will have a meeting after the incident is over to discuss problems and corrective measures to minimise future occurrence. Certain results of the meeting should be relayed to affected employees to help relieve anxiety.

Workplace accidents during the Track Record Period

We maintain an internal record of workplace accidents. During the Track Record Period and up to the Latest Practicable Date, we recorded seven workplace accidents of our workers.

	For the year ended 31 March			For the six months ended
	2016	2017	2018	30 September 2018
Number of workplace accidents	0	3	3	2
Accident frequency rate (<i>Note 1</i>)	0	3.8	4.4	2.1
Lost time injuries frequency rate (<i>Note 2</i>)	0	68.8	394.8	21.6

Notes:

- (1) Accident frequency rate represents the number of workplace accidents per one million man-hours worked. It is calculated as the number of workplace accidents during the year divided by the number of man-hours worked, then multiplied by 1,000,000. Number of man-hours worked for a year is estimated based on the number of our relevant workers directly involved in our projects as at the end of the year, multiplied by 3,650 hours per year per worker.

For comparison purpose, the accident frequency rate for the construction sector in Singapore was 1.7 in 2015, 1.7 in 2016, 1.6 in 2017 and 1.5 in 2018 as stated in the Workplace Safety and Health Report 2016, 2017 and 2018 published by the Workplace Safety and Health Institute, Singapore.

- (2) Lost time injuries frequency rate, also known as accident severity rate, represents the number of time lost from work of one day or more per one million man-hours worked. It is calculated as the number of man days lost to workplace accidents during the year divided by the number of man-hours worked, then multiplied by 1,000,000. Number of man-hours worked for a year is estimated based on the number of our relevant workers directly involved in our projects as at the end of the year, multiplied by 3,650 hours per year per worker.

For comparison purpose, the lost time injuries frequency rate for the construction sector in Singapore was 166 in 2015, 159 in 2016, 104 in 2017 and 115 in 2018 as stated in the Workplace Safety and Health Reports 2016, 2017 and 2018 published by the Workplace Safety and Health Institute, Singapore.

For the three years ended 31 March 2018 and the six months ended 30 September 2018, our Group recorded nil, three, three and two workplace accidents respectively. The accident frequency rates and lost time injuries frequency rates of our Group were higher than the construction industry rate for the year ended 31 March 2018 due to an isolated incident where one of our workers did not adhere to the standard procedures in cleaning the grouting machines and used a hammer to pound on the hydraulic hose, which splashed out chemical contents from the broken pressurized hose and injured the eyes of the worker. He was on medical leave for 187 days. If excluding such an isolated incident, our accident frequency rate and lost time injuries frequency rate would have been 3.0 and 119.3 respectively for the year ended 31 March 2018, which is below the rates as stated in the Workplace Safety and Health Report 2016 but higher than the rates states in the Workplace Safety and Health Reports 2017 and 2018. Our accident frequency rate and lost time injuries frequency rate for the year ended 31 March 2018 and the six months ended 30 September 2018 were higher than the industry rate even if the isolated incident

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was excluded because the relevant site workers failed to follow with our standard safety procedures strictly, which were out of our control. The employees' compensation claim was fully covered by our insurance and the amount of approximately S\$178,000 was fully settled as at the Latest Practicable Date. The aforementioned workplace accidents were reported to the MOM and covered by our insurance or insurance procured by our customers when we act in the capacity of a subcontractor. Notwithstanding this, according to the internal control report prepared by Baker Tilly Consultancy (Singapore) Pte Ltd in April 2018, our internal control advisor has performed review procedures on our health and safety procedures and concluded that our overall health and safety procedures and controls are adequately designed and operating effectively, and no control deficiencies were reported during the period of review. Accordingly, our Directors and the Sole Sponsor, having considered that (i) the conclusion of the internal control report on our overall health and safety procedures; (ii) the implementation of the ISO operations renewal to put in place to ensure full compliance with the required safety procedures for main operating activities at project sites; (iii) the monitoring by human resources department of the validity of the required licenses to be held by the employees; (iv) the monthly checks on all project sites by the Workplace Safety Health Officer or safety supervisor and the assessment of performance of safety and health; (v) the reporting procedures for non-conformity, corrective action, accident and incident to the respective project site supervisor, project manager or safety officer; (vi) excluding the factors affecting the isolated incident such as the deliberate non-adherence to the standard procedures by individual employee; and (vii) no serious accident or fatality was noted during the Track Record Period and are of the view that our Group's safety procures are adequate and effective.

To the best of our Directors' knowledge and belief, no workers of our subcontractors have recorded any workplace accidents at our site during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

Our insurance policies as at the Latest Practicable Date include:

- Contractor's all risk to cover against loss or damage to (i) materials and incidental expenses relating to the loss or damage such as removal of debris; and (ii) third party liability for accidental bodily injury and/or damage occurring in direct connection with the works. These policies cover the contract period and the defects liability period of the respective projects and insure us as main contractor, our subcontractors as well as our customers;
- Work injury compensation policies for all our workers and workers of our subcontractors engaged in respective projects. These policies cover the contract period and the defects liability period of the respective projects and indemnify us as main contractor, our subcontractors as well as our customers, the sum to pay as compensation for personal injuries by accident or disease sustained in the course of employment of the worker for the respective project;
- Fire insurance on our two owned properties as described in the paragraph headed "Property interests — Owned properties";
- Machinery all risk to cover certain equipment;
- Motor vehicle insurance, for our owned motor vehicles;

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- Work injury compensation policies for foreign workers, to cover any injuries sustained by our employee in the course of his employment on any working day;
- Foreign worker medical insurance, to cover hospitalisation costs in Singapore;
- Industrial all risk to cover (i) property damage on renovation, furniture fittings and fixtures, office equipment and content; and (ii) loss of profit due to business interruption; and
- Annual public liability to cover (i) accidental death or bodily injury to or illness or disease of any person caused by any accident occurring during the carrying out of work in connection to our business; and (ii) accidental loss of or damage to property.

Our Directors consider that our insurance coverage is adequate for the operation of our business, and is in line with the industry norm. Certain risks disclosed in the section headed “Risk factors”, such as risks in relation to our ability to obtain new contracts, to collect trade and retention receivables and our ability to maintain and renew our registrations and licenses, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please see “Risk factors — Our insurance coverage may be insufficient to cover all losses or potential claims and insurance premiums may increase”.

PROPERTY INTERESTS

Owned properties

As at the Latest Practicable Date, we owned two properties as follows:

Address	Gross floor area	Usage
1. 36, Sungei Kadut Avenue Singapore 729661	Approximately 5,000 square metres (including land area of approximately 4,400 square metres)	Industrial building for our own use as head office, warehouse and dormitory
2. No. 3, Ang Mo Kio Street 62 #02–20, Link @ AMK Singapore 569139	Approximately 200 square metres	Factory, currently leased to Independent Third Party at S\$2,500 per month until 31 August 2018, with an option to renew for another 24 months

During the Track Record Period, we also owned four investment properties which we had disposed of in July 2018. See section headed “Appendix III — Property valuation report” for further details.

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Leased properties

As at the Latest Practicable Date, we licensed empty land from the Singapore Land Authority near our project sites as temporary office and storage, details of which are as below:

Address	Monthly licence fees	Tenure	Usage
State land Lot MK07 04789L (PT) at Tuas South Street 7	S\$9,725	1 December 2016 to 31 October 2019	Site office, storage and access road
State land Lot 3634 Tpt MK 11, Jalan Lekar	S\$9,668	28 May 2018 to 27 May 2020	Site office, construction storage and temporary access

As at the Latest Practicable Date, we leased eight units of licensed foreign workers dormitories from Independent Third Parties, details of which are as below:

Address	Monthly rent and service charge	Tenure	Usage
Unit #05-11, Block 32 Mandai Estate Westlite Mandai Dormitory Singapore 729939	S\$4,640	1 July 2018 to 30 June 2019, with an option to renew for a further term of one year	Foreign workers dormitory
Unit #02-26, Block 34 Mandai Estate Westlite Mandai Dormitory Singapore 729940	S\$4,560	5 August 2018 to 31 July 2019, with an option to renew for a further term of one year	Foreign workers dormitory
Unit #07-28, Block 34 Mandai Estate Westlite Mandai Dormitory Singapore 729940	S\$4,480	15 August 2018 to 31 August 2019, with an option to renew for a further term of one year	Foreign workers dormitory
Unit #03-12, Block 32 Mandai Estate Westlite Mandai Dormitory Singapore 729939	S\$4,640	15 July 2018 to 31 July 2019, with an option to renew for a further term of one year	Foreign workers dormitory
Unit #02-27 and #02-28, Block 34 Mandai Estate Westlite Mandai Dormitory Singapore 729940	S\$9,120	5 August 2018 to 31 July 2019, with an option to renew for a further term of one year	Foreign workers dormitory

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Address	Monthly rent and service charge	Tenure	Usage
Unit #02-24, Block 34 Mandai Estate Westlite Mandai Dormitory Singapore, 729940	S\$4,620	2 October 2018 to 31 October 2019, with an option to renew for a further term of one year	Foreign workers dormitory
Unit #02-25, Block 34 Mandai Estate Westlite Mandai Dormitory Singapore 729940	S\$4,620	16 October 2018 to 31 October 2019, with an option to renew for a further term of one year	Foreign workers dormitory

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have registered two domain names, **www.hscpe.com** and **www.pipeline-engineering-holdings.com**, but we do not have any registered trademarks. See headed “Risk factors — We have not registered our intellectual property rights, and any allegations that we have infringed third parties’ intellectual property rights could have an adverse effect on our business, financial condition and results of operations” for further details.

Details of our intellectual property rights are set out in the section headed “Statutory and general information — C. Further information about our business — 2. 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.

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EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 299 full-time staff (including our Executive Directors), of which 39 were local employees and 267 were foreign employees (including site workers and other employees). All our employees are located in Singapore.

The following sets forth the number of our employees in the respective functions of our Group (including our Executive Directors but excluding our Independent Non-Executive Directors) as at 31 March 2016, 31 March 2017, 31 March 2018, 30 September 2018 and the Latest Practicable Date:

	As at 31 March		30 September	As at	As at the
	2016	2017	2018	2018	Latest
					Practicable
					Date
Executive Directors	2	2	2	3	3
Purchasing and logistics department	3	4	4	2	3
Project department	28	30	30	37	41
Accounting, human resource and administrative department	6	6	5	8	7
Site foreign workers	<u>177</u>	<u>177</u>	<u>145</u>	<u>216</u>	<u>243</u>
Total	<u><u>216</u></u>	<u><u>219</u></u>	<u><u>186</u></u>	<u><u>266</u></u>	<u><u>299</u></u>

Out of the 299 employees, 16 have qualifications in engineering degree, five have qualifications in non-engineering degree, five have qualifications in engineering diploma and six have qualifications in non-engineering diploma.

Recruitment policies and foreign workers

Our human resources department assesses our available human resources on a continual basis and, together with our Executive Directors, determines whether additional employees are required to cope with our business operations and expansion. Our human resources department also reviews the policies and procedures on hiring of staff, training and performance appraisals. As at the Latest Practicable Date, our manpower strategy is to maintain a strong and stable senior management and heads of department. Our project managers, and most of our heads of department have been with our Group for over 13 years. We also value and maintain a strong team of employees in each department. For our site workers, we aim to be prudent in our hiring and do not unnecessarily over-hire to maintain flexibility during economy or industry downturn, but instead proactively schedule our workers across our ongoing projects at any point in time to optimise our human resources.

Our foreign workers are sourced and recruited through Independent Third Party agencies and recommendation by existing workers. As at the Latest Practicable Date, the majority of our foreign workers were from India. The supply of foreign workers in Singapore is subject to various regulations and policies. In particular, the availability of foreign workers to the construction industry is regulated by the MOM through certain policy instruments, including but not limited to, the dependency ceilings based on the ratio of local and foreign workers, as set forth under the section headed “Regulatory overview — Regulations relating to employment and safety”.

The dependency ceiling refers to the maximum permitted number of foreign workers that a company in a stipulated sector is allowed to hire. The dependency ceilings for the construction industry in Singapore is currently set at a ratio of one full-time local worker to seven foreign workers. However, the quota may not apply to higher skilled foreign employees. As at the Latest Practicable Date, based on the prevailing regulations, the maximum number of foreign workers our Group can hire is 301, which means that we can hire 40 additional foreign workers as at the Latest Practicable Date based on the dependency ceilings.

Employees’ remuneration and benefits

Our employees are remunerated according to their job scope, responsibilities, and performance. Our local employees are also entitled to discretionary bonus depending on their respective performances and the profitability of our Group. Our foreign workers are typically employed on a two-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 are required by the MOM.

Central Provident Fund

Our Group participates in the Central Provident Fund for our employees in accordance with the Central Provident Fund Act, Chapter 36 of Singapore, and has paid the relevant contributions accordingly.

Employee training

Our employees received training depending on their department and the scope of works. Typically they are required to attend trainings relating to our quality, occupational, health and safety policies, and courses required by our major customers such as project safety management, renewal of registered excavator operator card, underground services detection, hydraulic excavator operation and work-at-height courses.

Employee relations

Our Directors believe that we have a good relationship with our employees. Our employees are not members of any labour union. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material dispute with our employees or other labour disturbances to our operations and we did not experience any material difficulties in the recruitment and retention of experienced staff.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed “Risk factors”. The following sets out our key measures under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

Continuity of projects secured

Our ability to continue securing new projects is critical for our financial performance and business sustainability, as well as to maintain our active project track record and reputation. In this regard, we maintain good working relationship with our customers, maintain and improve our competitive strengths (see section headed “Competitive strengths” for further details) and intend to pursue our business strategies to further expand our business (see section headed “Business strategies” for further details). We will also monitor the GeBIZ on a regular basis for new and upcoming public sector projects.

Project risk management

We have established procedures for assessing and monitoring project risk during operation. For details of the business operation, please refer to the paragraph headed “Project management and operations — Project implementation phase” above. We also endeavour to optimise our resources and perform the required services in-house to reduce reliance on subcontractors.

We will also check on our customers’ reputation and assess their financial strength, review our internal resources and obtain information about the project. See paragraph headed “Project management and operations” for further details on our process. We also reduce reliance on our

suppliers by obtaining major materials for a project from more than one supplier. A key aspect of effective project management is the stability of our project management team, which comprises our Executive Directors, Mr. Michael Shi, Mr. Shi Guan Lee and Mr. Shane Shi. Additionally, we are supported by a strong team of project managers, draftsmen and purchasing managers. See paragraph headed “Employees” above.

Risk of cost overruns

Our key costs of services are purchases of materials, subcontracting fees, and our own labour. For materials, we do not place a purchase order for the pipes at contract award to maintain flexibility. Our drafting team will review whether the shop drawings provided to us represent the most efficient pipework installation, if not, we will re-design and seek approval from our customer. We generally source from more than one supplier for major categories of purchases for a project, as explained under the paragraph headed “Suppliers” above. For our labour costs, we strive for a balance by offering what we believe to be competitive remuneration while ensuring that we do not over-hire.

We will also negotiate to ensure that the fees charged by these subcontractors are within our project budget. We will typically obtain quotations from our suppliers and subcontractors at the time of preparing tender proposals. While our suppliers and subcontractors are required to deliver their materials and works at the agreed price, there remains a risk of cost overruns should the project be delayed, rectification of works are required or cost increases to our labour cost or cost increases by our suppliers and/or subcontractors which they are entitled to charged, for instance in variation order. Please refer to the risk factor “Inability to accurately estimate our project costs and cost overruns will affect our profitability and our financial performance” in the section headed “Risk factors” for details of our risk. We manage the risk of cost overruns by (i) buffering the tender price by taking into account any unanticipated increase in costs; (ii) purchasing materials mainly based on the specific needs of contracts; and (iii) management of our costs effectively as detailed above. There were no material cost overruns during the Track Record Period that resulted in project losses.

Risk of 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.

Credit management

During the tender 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 or find out the reputation of a new customer with respect to payment to its contractors. Our credit terms to our customers are generally 30 to 45 days and our suppliers’ and subcontractors’ credit terms to us are generally 30 to 60 days during the Track Record Period. There was no provision for impairment of trade

receivables during the Track Record Period. We typically make prompt payment to our suppliers and subcontractors, and will verify that their goods and services are delivered as per contracted before making payment.

Liquidity risk management

Under a typical contract undertaken by us, we do not receive any upfront payments or deposits from our customers prior to the commencement of work. However, there are costs which are typically incurred at an early stage of a contract before we receive payments from our customers and which are therefore required to be paid from our available financial resources, such as the costs of labours, material costs, and/or subcontracting works. In addition, throughout the execution of a contract, we receive payments after the performance of our works, for which we would have incurred costs (including costs of labours, supplies and/or subcontracting works) that are also required to be paid from our available financial resources. In addition, contracts undertaken by us mainly have performance bonds/security deposits and retention money requirements, which may also affect our liquidity position.

We will also monitor our working capital to ensure that our financial obligations can be met when due, by, *inter alia* (i) ensuring a healthy bank balances and cash for payment of our short-term working capital needs; (ii) monitoring our trade receivables and its aging monthly, and following up closely to ensure prompt receipt of amounts due from our customers (for this purpose, we have four dedicated employees to work closely with our project team and our accounts team, to assess and prepare the works to be submitted to our customers in our progress claims); (iii) monitoring our trade payables and its aging monthly, to ensure that payments to our suppliers and subcontractors are made on a timely basis; and (iv) monitoring our bank and finance lease payments. Our receipts and payments are denominated in Singapore dollars, and we do not engage in any hedging activity.

Regulatory risk management

We keep abreast of any changes in government policies, regulations, licensing requirement and safety requirements and we are aware that any non-compliance of the above may have an adverse impact on our operation and business. We will ensure that all changes in government policies, regulations, licensing requirement and safety requirements are closely monitored and communicated to our management and supervisory team members for proper implementation and compliance.

Risk of labour shortage

Please refer to the paragraph headed “Employees — Recruitment policies and foreign workers” above.

Corporate governance measures

Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely, the audit committee, the nomination committee and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed

“Directors and senior management — Board committees”. In particular one of the primary duties of our audit committee is to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems. Our audit committee consists of all three of our Independent Non-Executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and senior management” in this prospectus.

In addition, to avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with our Controlling Shareholders”.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

LITIGATION AND CLAIMS

Litigation

As at the Latest Practicable Date, in respect of project #3, we were in discussion with Customer A for an extension of time for six incidents that may potentially lead to a claim for liquidated and ascertained damages against us in the total maximum amount of approximately S\$2.8 million due to late delivery in completing a GTP project if an extension of time is not granted. According to the terms of the contract entered with Customer A, the estimated liquidated and ascertained damages was determined based on 10% of the agreed original contract sum (excluding variation orders) of approximately S\$28.0 million. We have submitted to Customer A our basis for the extension of time as the six incidents that caused delays were not attributable to any defaults by us, as follows:

- (i) four incidents were relating to leakages of water pipes discovered by us during our construction works. In addition, our construction site was adjacent to a work site imposed with stop work orders on 7 April 2016 and 25 May 2016 respectively due to a fatal accident which also resulted in us being unable to commence work due to the proximity of the two sites, until the stop work orders were lifted in June 2016. We subsequently informed Customer A that the cause for such incidents was not attributable to us.
- (ii) two incidents of additional jacking works required by Customer A in addition to the original scope of work resulting in a delay.

As at the Latest Practicable Date, we were still in negotiations with Customer A to obtain the extension of time in order not to be liable for the liquidated damages. Customer A had informed us that they were still reviewing and assessing our request but had not provided a timeline for which we can expect to receive a decision on this matter. As at 30 September 2018, the total agreed contract amount (including variation orders) for this project has been certified and billed, save for an amount of approximately S\$1.3 million (exclusive of GST) in relation to the liquidated and ascertained damages which invoices have not been issued, and thus no outstanding contract asset was attributable to this project. Out of the trade receivables of approximately S\$3.0 million as at 30 September 2018, approximately S\$1.6 million was attributable to project #3, which was pending payment due to the decision of the matter as discussed above. Further, the completion certificate for this project has been issued in September 2018. Accordingly, given that all agreed contractual sum has been certified and the completion certificate has been obtained for project #3, and we are still maintaining a good relationship

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with Customer A, our executive Directors are of the view that they do not foresee any difficulties in recovering the remaining amount of trade receivables and unbilled certified amount (especially those relating to project #3) due from Customer A as soon as after a decision is made relating the incident.

As at the Latest Practicable Date, our revenue recognition for the Track Record Period has accounted for the liquidated damages by way of reduction in revenue. When determining the amount of revenue to be recognised, our Executive Directors have estimated the amount of consideration to which we will be entitled in exchange for transferring the promised goods or services to a customer. According to paragraph 50 of IFRS 15, “If the consideration promised in a contract includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer.” In the course of preparing our Group’s combined financial statements, our Executive Directors evaluated the then circumstances of the incidents and considered, among other things, the prolonged uncertainty over the outcome of the liquidated damages and it is not probable to collect such amounts as at the end of the respective reporting period. Therefore, it is the view of the Executive Directors that the amount of liquidated and ascertained damages for the potential damages claims, being the amount of the maximum alleged claim stated in the relevant contract, would rendered the corresponding amount of revenue as a variable consideration, and hence a revenue reduction was recorded in our Group’s combined financial statements in the relevant years during the Track Record Period. Notwithstanding the recognition of a revenue reduction, our Executive Directors wish to reiterate that our Company will continue to contest the validity of such alleged claim and make relevant revision at each end of the reporting period to reflect the changes in circumstances during the reporting period.

For each of the three years ended 31 March 2018 and the six months ended 30 September 2018, we had recognised revenue for project #3 of approximately S\$14.1 million, S\$7.3 million, S\$3.3 million and nil, respectively. Having considered the maximum amount claimable by Customer A as liquidated and ascertained damages under the contract for project #3 as confirmed by our legal adviser as to Singapore Laws, our Executive Directors are of the view that the estimated amount of the liquidated and ascertained damages is sufficient and adequate. For illustration purpose, the revenue, gross profit and net profit for our Group during the Track Record Period before and after taking into account the reduction of revenue of the liquidated and ascertained damages for the potential damages claim amounting to approximately S\$2.5 million and S\$0.3 million for the year ended 31 March 2017 and 31 March 2018 respectively would have been as follows:

	Before taking into account the reduction of revenue of liquidated and ascertained damages				After taking into account the reduction of revenue of liquidated and ascertained damages			
	For the three years ended			For the six	For the three years ended			For the six
	31 March			months ended	31 March			months ended
	2016	2017	2018	2018	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	29,502	30,873	23,754	14,141	29,502	28,408	23,419	14,141
Gross profit	7,011	8,183	7,738	3,639	7,011	5,718	7,398	3,639
Net profit	4,021	5,296	4,719	57	4,021	3,250	4,498	57

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Our Directors confirmed that the potential liquidated damages would not result in any material impact on the financial position or results of operations of our Group as this incident did not result in making the relevant project with Customer A becoming a loss-making project, or cause any financial difficulty for our Group. In particular, the gross profit margin for the relevant project with Customer A was approximately 32%, 9% and 25% for the three years ended 31 March 2018. Subsequent to the recognition of the liquidated and ascertained damages, our Group did not experience any difficulty in repaying our debts when they fall due. Our Directors also confirmed that the abovementioned claim would not affect the business relationship with Customer A as (i) the liquidated and ascertained damages were not attributable to defaults by us as our works were interrupted by certain leakage of water pipes at the site where our works were carried out and the owner of the leaked water pipes has confirmed that they would not pursue any actions against us; (ii) subsequent to the abovementioned claim and up to the Latest Practicable Date, we had further secured five contracts with Customer A for a total contract value of approximately S\$26.6 million; and (iii) we have been recognised by Customer A as one of their top five contractors for civil engineering and construction related works for the period from 1 April 2017 to 31 March 2018 which was subsequent to the incidents. Accordingly, our Directors believe the abovementioned claim would not affect our ability to secure further projects from Customer A.

Employees' compensation claims

During the Track Record Period and up to the Latest Practicable Date, there were eight incidents involving our employees which resulted in employees' compensation claims. We reported the incidents in compliance with our incident reporting process as outlined under the paragraph headed "Health and safety". The following table sets out the nature of the incidents involving our workers during the Track Record Period and up to the Latest Practicable Date:

Nature of incident	Number of claims
Cut or other injuries on fingers or hand	4
Injuries on eyes	2
Injuries on foot	<u>2</u>
Total	<u><u>8</u></u>

Out of the eight incidents, there were six settled employees' compensation claims of which the total amount settled were approximately S\$178,000 and was fully covered by our insurance or insurance procured by our customers as part of their main contractors' all risk insurance. There were two outstanding employees' compensation claim against us as at the Latest Practicable Date, of which the quantum of such claims has yet to be ascertained. We are required under the Work Injury Compensation Act, Chapter 354 of Singapore, to take out and had taken out a compulsory insurance policy in Singapore to provide for a liability under such claim. Therefore, our Directors confirmed that all such claims and outstanding claims are fully covered by our insurance and would not result in any material impact on the financial position or results and operations of our Group.

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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. No provision was made in the financial statements of our Group in respect of the aforementioned ongoing claims as it is expected to be covered by insurance.

Save as disclosed above, our Executive Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation or claim of material importance, and no litigation or claim was known to our Directors to be pending or threatened against any member of our Group.

Claims for damage to telecommunications cables

During the Track Record Period and up to the Latest Practicable Date, there were ten incidents involving damage to telecommunications cables during the course of our construction works leading to claims from the telecommunications system license. The aggregate amount paid by our Group was approximately S\$38,300 and have been fully settled.

LEGAL COMPLIANCE

The following table sets out the breaches and non-compliance identified by the relevant authorities during the Track Record Period and up to the Latest Practicable Date:

Date	Category	Total number of breaches	Nature of breaches	Consequence	Regulatory Authority	Aggregate penalty (S\$)	Other punishment (eg. demerit points)
Between 23 April 2015 to 11 June 2017	Public infrastructure law related breaches	Fourteen	Failure to ensure that public road works are carried out in accordance with the directions and Codes of Practice issued under the Street Works Act and the Street Works (Works on Public Streets) Regulations, including, <i>inter alia</i> , having inadequate reflective discs, rotating lamps and/or blinkers, inadequate transition zone, failing to properly barricade work zone, storage of materials and/or equipment on public streets, carrying out work without approval, carrying out work in deviation from approved plans, carrying out work during peak hours	Contravention of Regulations 15(1)(a) and/or 16(1)(b) of the Street Works (Works on Public Streets) Regulations	LTA	6,500	Our Group accumulated at least 200 demerit points within a calendar month in 2016 due to committing certain defaults provided in the Schedule of the Street Works (Works on Public Streets) Regulations, including, <i>inter alia</i> , failing to display adequate temporary traffic signs and other indications for the guidance and direction of motorists and pedestrians, and failing to comply with the requirement of the aforesaid regulations or the LTA code of practice, resulting in a suspension from carrying out new works from 16 February 2016 to 15 May 2016. Such suspension did not affect our Group's ability to carry out works for which we had already obtained the tender or contract. As at the Latest Practicable Date, our Group has not accumulated any further demerit points
17 December 2016	Public infrastructure law related breaches	One	Causing damage to water main under the Public Utilities Act	Contravention of 47A(1)(b) of the Public Utilities Act	PUB	47,000	None

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The repeated public infrastructure law related breaches arose mainly due to administrative oversight and non-compliance to the specific details required by the LTA. These breaches involved immaterial issues, such as our Group's failure to provide adequate reflective discs, rotating lamps or blinks, and no proper storage of materials or equipment on public streets according to the specific requirements of the LTA. In respect of the aforesaid breach relating to work carried out without approval, this concerned our Group's road opening application which had omitted the road name of one of the roads. In respect of the aforesaid breach relating to works carried out in deviation from approved plans, this was due to our Group having conducted works on semi-rigid pavement, which had deviated from the approved plan. Such breaches were compoundable, and upon payment of the composition fines, which aggregated to S\$6,500, no further proceedings would be taken against our Group. These breaches did not have any material operational or financial impact on our Group. These breaches did not affect our Group's ability to obtain approval for its road opening applications from the LTA, save for the suspension period from 16 February 2016 to 15 May 2016. Such road opening application permit as required to carry out our projects which involve work on public streets. Our Group has been able to obtain such approvals from the LTA for our projects for which work needs to be carried out on public streets during the Track Record Period (save for the suspension period from 16 February 2016 to 15 May 2016) and up to the Latest Practicable Date.

Our Directors were not aware of the aforesaid non-compliance incidents at their occurrence, but were made aware subsequently. As for minor irregularities noted at worksites, the project managers only reported to our Directors upon receipt of notification of such non-compliances by the relevant authorities to the Company subsequently. Such non-compliances occurred at different workplace sites, under the oversight of different project managers. Our Directors had reasonably relied on their project managers for such compliance matters, as the project managers were delegated with ensuring the implementation and execution of projects at the relevant worksites in areas concerning non-material matters. Notwithstanding so, our Directors have taken measures to improve the protocols to address such non-compliance as far as possible. Our Directors implemented weekly meetings with the project teams, in which the project managers, engineers, project coordinators and safety personnel were briefed on compliance matters. Further, our Directors instituted a training regime to educate site teams on compliance matters. Accordingly, there is no implication on our Directors' suitability to act as directors.

Notwithstanding the aforesaid non-compliances, our Group was not prohibited from tendering for new projects due to the aforesaid workplace incidents. In respect of the 200 demerit points accumulated by our Group within a calendar month in 2016, as mentioned in the table above, it has resulted in our Group receiving a suspension from applying for road opening application permits to carry out work on public streets (where required) from 16 February 2016 to 15 May 2016. However, subsequent to the expiry of such suspension, our Group was able to resume carrying out new works relating to LTA projects. The workplace incidents leading to suspension did not result in any accidents or injuries.

The suspension did not result in any disruption of business having a material adverse impact to our Group's financial position or operations, as (i) our Group was able to adjust the timing of submission of road opening applications for some of our projects as long as our deliverables were completed on time; (ii) where our Group was required to apply for road opening applications during the period of suspension for our projects to avoid incurring delays, we had sought the consent of our relevant customers to appoint a third party sub-contractor for the purpose of submitting such road opening applications; (iii) our Group was able to complete all the relevant projects affected by the suspension on time; (iv) our Group was able to maintain the gross profit margin for all relevant projects; and (v) we

continue to enjoy good working relationship with the relevant customers, of whom the largest revenue contributor is Customer A. We are able to tender for and have been awarded new projects from Customer A.

As at the Latest Practicable Date, all of the abovementioned fines imposed from non-compliance incidents were fully settled. 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 HSC Pipeline Engineering in respect of the specific offences detailed where the composition fines have been fully settled.

Public infrastructure law breaches

As our works are carried out on the public road, we need to apply for LTA road opening application permit. LTA requires strict compliance with its plans, amendments, regulations, Codes of Practices, conditions and directions, and issues fine and demerit points for non-compliance. A company will face suspension if it accumulates demerit points of 200 points or above within any one calendar month. During the Track Record Period, we had on various incidents accumulated 200 or more demerit points over a period of 30 days due to committing certain defaults provided in the Schedule of the Street Works (Works on Public Streets) Regulations, including, *inter alia*, failing to display adequate temporary traffic signs and other indications for the guidance and direction of motorists and pedestrians, and failing to comply with the requirement of the aforesaid regulations or the LTA code of practice. This resulted in us being suspended from carrying out new works during 16 February 2016 to 15 May 2016. These incidents were due to our site workers (who are responsible for carrying out the daily operation of the construction project) failing to comply strictly with plans, amendments, regulations, Codes of Practices, conditions and directions of LTA. They were under the direct supervision of our project managers, who were responsible for all public law and infrastructure compliance in the construction sites.

Rectification measures

Our Directors were not involved in nor aware of the above non-compliances as these are the responsibilities of the project managers of each project, who directly supervised and are responsible for all public law and infrastructure compliance in the construction sites. In order to prevent the recurrence of the above cases, our Group implemented the following procedures in June 2018 to enhance public law and infrastructure compliance:

1. Our Group has updated our checklists for works conducted on public roads to require the relevant project manager to perform corrective actions immediately.
2. A project engineer 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 project engineer 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.

BUSINESS

5. Issuance of reminders from time to time to all subcontractors and employees to reiterate the importance of strictly adhering to the established procedures.

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 non-compliance incidents, and all such measures have been implemented in June 2018. The measures include the following:

1. A Workplace Safety Health Officer (WSHO) 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 project engineer 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 checklist. In addition, Mr. Shane Shi, overseeing our Group's ongoing compliance with relevant public infrastructure laws and regulations, and/or the project engineer will attend courses provided by the relevant authority (or other professional parties with the relevant qualifications) in relation to public infrastructure laws matters regularly after Listing.
3. The operational manual will be circulated to staff and subcontractors 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 public infrastructural laws and regulations awareness during the annual staff appraisal, which will be taken into account in determining promotion, salary increment and bonus.

With the full implementation of the above rectification measures in June 2018, the fact that the Directors have engaged qualified professionals to monitor and supervise compliance at work sites, that the non-compliance incidents arose from the lapses of our site workers who carry out daily operations of the construction project, and the fact that, save as disclosed in this section our Group has not been charged with further public infrastructural non-compliance incidents by LTA since June 2017 up to the Latest Practicable Date, the internal control advisor is of the view that the current internal control procedures are adequate and effective to prevent the recurrence of public infrastructural non-compliance incidents.

Save as disclosed above, 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. Our Directors also confirmed that since June 2018 and up to the Latest Practicable Date, our Group had not been charged with further public infrastructural non-compliance incidents by LTA. The Directors further confirm that, save as disclosed above, there are no other material non-compliance incidents, including demerit points, fines or penalties, since June 2017 up to the Latest Practicable Date.

Independent internal control adviser's views

We engaged Baker Tilly Consultancy (Singapore) Pte Ltd (“BT”) in April 2018 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. BT 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. BT has reviewed of our internal control system for the period from April 2017 to March 2018. BT has also reviewed the internal control system of our Group after implementation of our recommended measures on the non-compliance incidents identified in July 2018. 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; and (ii) environmental protection and public infrastructural law compliance 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. 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 June 2018.

Our Executive Director, Mr. Shane Shi, 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, environmental control and public infrastructural law compliance and he will be assisted by two of our senior management, Mr. Goh Yong Cheng and Mr. Kong Mun Kai. Given that (i) there was no subsequent non-compliance that arose from projects supervised by Mr. Shane Shi; and (ii) our Group has adopted an enhanced internal control system recommended by the internal control adviser, the Directors are of the view that Mr. Shane Shi is competent to handle the ongoing compliance with the relevant laws and regulations. For further details on the qualification and experience of Mr. Shane Shi, please see the section headed “Directors and senior management — Executive Directors”.

Mr. Shane Shi has also been appointed to undertake the responsibility as compliance officer in relation to laws and regulations. After its reviews and further considering the circumstances leading to the above non-compliance cases 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 public infrastructural compliance, discharge of trade effluent are adequate and effective for ensuring compliance with the applicable laws and regulations 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, the additional rectification and nominal measures undertaken by our Group and having considered (i) the relevant projects for which the legal non-compliance incidents occurred had completed on or before 11 June 2017; (ii) the legal non-compliance incidents did not result in any material cost overrun or delay in completion; (iii) save for the penalties incurred which have been fully settled, no other fines or penalties were imposed on us and hence, no material impact on the financial performance of our Group; and (iv) there was no material impact on our operations as we were able to obtain relevant licence or permits

from the relevant authorities such as LTA and PUB after the incidents, our Directors and the Sole Sponsor consider that the legal and compliance matters as mentioned above (including the three months suspension from February 2016 to May 2016) did not and will not 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 non-compliances occurred during the period before we adopted the enhanced internal control system in June 2018, and having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section which do not affect the integrity and character of our Directors' nor their suitability to act as 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. Shane Shi, assisted by two of our senior management, Mr. Goh Yong Cheng and Mr. Kong Mun Kai as the responsible personnel undertaking our Group's ongoing compliance with the relevant laws and regulations in relation to public infrastructural compliance, 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

Our 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, outgoings, 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. See section headed "Statutory and general information — G. Other information — 1. Deed of Indemnity" in Appendix V to this prospectus for further details of the Deed of Indemnity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options to be granted under the Share Option Scheme), our Controlling Shareholders, namely Mr. Michael Shi and APL, will together control the exercise of voting rights of 75% of the Shares eligible to vote in the general meeting of our Company. Save as disclosed herein, none of our Controlling Shareholders or their respective close associates has any interest in any company which may, directly or indirectly, compete with the business of our Group, that would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INTEREST OF CONTROLLING SHAREHOLDER IN OTHER BUSINESS

Other Business of our Controlling Shareholder

Mr. Michael Shi, our Controlling Shareholder, currently holds interest in Mishi Pipeline Engineering Pte. Ltd. (“**Mishi Pipeline**”), a company that does not form part of our Group.

Mishi Pipeline was incorporated on 18 February 2016 under the laws of Singapore. Mr. Michael Shi is the sole beneficial owner and the sole director of Mishi Pipeline.

Mishi Pipeline did not have any business operations and did not provide services to any of our customers during the Track Record Period. Mr. Michael Shi confirms that he had applied to the Accounting and Corporate Regulatory Authority strike off Mishi Pipeline as it has had no business operation since incorporation, which was struck off on 5 November 2018.

In light of the foregoing, our Directors consider not to include Mishi Pipeline as part of our Group.

RULE 8.10 OF THE LISTING RULES

Save as disclosed, each of the Controlling Shareholders, our Directors and their respective close associates do not have any interest apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

In addition, each of the Controlling Shareholders has given a non-competition undertaking in favour of our Group. For further details on the Deed of Non-competition, please refer to the paragraph headed “Deed of Non-competition” under this section.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after the Listing:

Management independence

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of six members, comprising three Executive Directors and three Independent Non-Executive Directors. Although one of our Controlling Shareholders, namely Mr. Michael Shi, will simultaneously be our Executive Director and retain a controlling interest in our Company after the Listing, we consider that our Board and our team of management will function independently because:

- (i) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;
- (iii) with three Independent Non-Executive Directors out of a total of six Directors on our Board, there will be a sufficiently robust and independent voice to the decision-making process of our Board to protect the interests of our independent Shareholders; and
- (iv) our senior management members are independent and possess in-depth experience and understanding of the industry in which our Group is engaged.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders and their respective close associates, having considered that:

- (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities, and divisional teams and facilities for each of our operating business segments, each of which has a clear delineation of duties and functions from the operational perspective;
- (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their respective close associates;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) our Controlling Shareholders and/or any of their respective close associates have no interest in any of our top five largest customers, suppliers or subcontractors, and none of our Controlling Shareholders and their respective close associates are major customers, major suppliers or major subcontractors of our Group;
- (iv) we have our own management team which is independent of our Controlling Shareholders. Please refer to the paragraph headed “Management independence” above for further details; and
- (v) our major operating subsidiary has obtained all relevant licences that are necessary for its operations in its own name.

Our Directors consider that our Group can operate independently from our Controlling Shareholders and/or any of their respective close associates from the operational perspective.

Financial independence

Our Group has independent financial and accounting systems, and makes financial decisions according to our own business needs. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

During the Track Record Period, our Group obtained bank borrowings for purchase of our investment properties and entered into finance leases for certain motor vehicles and machinery. The said borrowings and finance leases were secured by our Group’s leasehold property and investment property and/or personal guarantees by, amongst others, our Controlling Shareholder, Mr. Michael Shi. Personal guarantees given by Mr. Michael Shi are expected to be released upon Listing and replaced by corporate guarantees granted by our Company. Please refer to the section headed “Financial information — Indebtedness — Bank borrowings” and Note 25 to the accountant’s report set out in Appendix I to this prospectus for further details.

In view of our Group’s adequate internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group has sufficient capital to operate our Group’s business independently, and has a strong credit profile to support its daily operations. During the Track Record Period, our Group relies principally on cash generated from operations to carry on its business and it is expected to continue after the Listing. Therefore, our Group has no financial dependence on our Controlling Shareholders and their respective associates.

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 as trustee for each of our subsidiaries) that, at any time during the effective period, he or it would not, and would procure that his or its close associates (each a “**Controlled Person**” and collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by them (including APL but not other members of our Group) (the “**Controlled Company**”) would not, except through any member of our Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business that is similar to or in competition directly or indirectly with or is likely to be in competition with any business currently and from time to time engaged by our Group in Singapore and any other country or jurisdiction in which our Group carries on business from time to time (“**Restricted Business**”). Such non-compete undertaking does not apply to the holding of or interests in shares or other securities by any of our Controlling Shareholders and/or his/its respective close 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 the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or
- (b) the total number of the shares held by any of our Controlling Shareholders and/or his/its respective close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of such Controlling Shareholders and/or his/its respective close 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 of such shares holding (together, where appropriate, with his/its close associates) a larger percentage of the shares in question than our Controlling Shareholders and his/its close associates together hold.

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 Shareholder, 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 controlling shareholder (as defined under the Listing Rules from time to time) of our Company; or (ii) 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 the Controlling Shareholders has undertaken that when any Controlling Shareholders and/or any Controlled Person and/or any Controlled Company is offered or becomes aware of any new project or business opportunity (“**New Business Opportunity**”) directly or indirectly to engage or become interested in the 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 the Controlled Persons or Controlled Company not to, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by the independent committee of the Board (“**Independent Board Committee**”) comprising the Independent Non-Executive Directors who do not have any material interest in the Restricted Business and/or the New Business Opportunity and the principal terms of which the Controlled Persons or Controlled Companies

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 Independent Board Committee 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 close associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. In the event that our Company require additional time to assess the New Business Opportunities, our Company may give a written notice to the Controlling Shareholders during the 30-day Offering Period and the Controlling Shareholders agree to extend the period to a maximum of 60 business days.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the competing business and to safeguard the interests of our Shareholders:

- (i) our Independent Non-Executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;
- (ii) each of our Controlling Shareholders undertakes to provide all the information requested by our Company which is necessary for the annual review by our Independent Non-Executive Directors and the enforcement of the Deed of Non-competition;
- (iii) our Company will disclose decisions on matters reviewed by our Independent Non-Executive Directors relating to compliance and enforcement of the non-compete undertaking of our Controlling Shareholders under the Deed of Non-competition; and
- (iv) each of our Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual reports of our Company.

Further, save as disclosed herein, each of our Directors confirms that he does not have any competing business with our Group. Moreover, pursuant to their respective service agreements, our Executive Directors will not, at any time during their terms of service with our Group without the prior written consent from the Board, be or become a director of any company (other than our Company, any other member of our Group, our joint venture companies or our associated companies) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

In addition, if our Independent Non-Executive Directors consider it necessary or desirable, they may also engage professional advisors at the cost of our Company to advise them on matters relating to any Deed of Non-competition or any business opportunities which may be referred to us by our Controlling Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of three Executive Directors and three Independent Non-Executive Directors. It is responsible for and has general powers for the management and conduct of our business. The day-to-day operations of our Group are supervised and carried out by our Executive Directors with the assistance of our senior management.

The following table sets out certain information in respect of our Directors:

Name	Age	position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Executive Directors						
Mr. Michael Shi Guan Wah (徐源華先生)	56	Chairman, Chief Executive Officer and Executive Director	13 January 1993	17 July 2018	Leading our Group's business development and overseeing all aspects of our Group; serving as a member of the nomination committee	Brother of Mr. Shi Guan Lee; father of Mr. Shane Shi
Mr. Shi Guan Lee (徐源利先生)	54	Executive Director	13 January 1993	17 July 2018	Overseeing our Group's operating performance and monitoring project planning and execution	Brother of Mr. Michael Shi; uncle of Mr. Shane Shi
Mr. Shi Hong Sheng (徐鴻勝先生)	32	Executive Director	4 April 2011	17 July 2018	Overseeing our Group's operations and maintaining relationships with customers and suppliers; serving as a member of the remuneration committee	Son of Mr. Michael Shi; nephew of Mr. Shi Guan Lee
Independent Non-Executive Directors						
Mr. Cher Choong Kiak (徐俊傑先生)	56	Independent Non-Executive Director	26 February 2019	26 February 2019	Chairman of the remuneration committee, providing independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	N/A
Mr. Chiam Soon Chian (詹舜全先生)	38	Independent Non-Executive Director	26 February 2019	26 February 2019	Chairman of the audit committee, providing independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	N/A
Mr. Choo Chih Chien Benjamin (朱志乾先生)	42	Independent Non-Executive Director	26 February 2019	26 February 2019	Chairman of the nomination committee, providing independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	N/A

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Michael Shi Guan Wah (徐源華先生), aged 56, is a co-founder of our Group and has been a director of HSC Pipeline Engineering since January 1993. He was appointed as a Director in July 2018 and re-designated as the Chairman, chief executive officer and an Executive Director in August 2018. He was further appointed as a member of the nomination committee of our Company on 26 February 2019. Mr. Michael Shi has been our Group's managing director since January 1993 and is responsible for leading our Group's business development and overseeing all aspects of the business, including corporate operations, project execution and financial performance.

Mr. Michael Shi has over 26 years of experience in the construction industry. He had attended secondary education in Singapore until October 1978, then he participated in his family business engaging in the building construction business, where he gained exposure to the construction industry. He also formed Jet Equipment, a partnership engaging in installation of industrial machinery and equipment and mechanical engineering works from July 1991 until August 1992.

Throughout the years, Mr. Michael Shi has attended a number of professional training courses to enhance his skills and knowledge in handling advanced machinery and systems and has obtained relevant licences and certificates. In December 1992, he completed the Gas Service Workers Course organised by the Public Utilities Board. He has become a licensed gas service worker since 1993 and was granted a lifetime Gas Service Worker Licence by the Energy Market Authority of Singapore in February 2015. In July 1995, he obtained the Skill Evaluation Certificate for attaining the required standard in the Practical Test in Construction Plant Operation (Excavator Loader) conducted by the Building and Construction Authority, and he then became a registered excavator operator recognised by SP PowerGrid Ltd in 1996. In October 1995, he completed the Underground Services Detection course organised by the Singapore Power Training Institute. He also completed the basic training for Durafuse PE electrofusion system for gas distribution organised by Glynwed Pipe Systems (Asia) Pte Ltd in June 1997 and July 1998, respectively. In July 2002, he completed the 'on-site' course of instruction on Hy-Ram Fully Automatic butt-fusion Equipment organised by CPP Global Products Pte Ltd. He also completed the training on the WIDOS 4800 CNC 3.0 Welding Machine organised by WIDOS Technology (Asia Pacific) Pte Ltd.

Mr. Michael Shi was previously a director of the following entities which have been struck off due to cessation of business:

Name of entity	Place of incorporation	Type of entity	Nature of business	Date of incorporation	Date of striking off
HSC Kingview JV Pte. Ltd.	Singapore	Private company limited by shares	Engineering design and consultancy activities	19 March 2015	3 March 2016
Mishi Pipeline Engineering Pte. Ltd.	Singapore	Exempt private company limited by shares	Water and gas pipe-line and sewer construction	18 February 2016	5 November 2018

DIRECTORS AND SENIOR MANAGEMENT

Mr. Michael Shi confirmed that (i) the striking off of the above entities were voluntary and due to cessation of business or inactivity of the company (as the case may be); (ii) there is no wrongful act on his part leading to the striking off of the above entities and he is not aware of any actual or potential claim that has been or will be made against him as a result of the striking off of such entities; and (iii) the above entities were solvent immediately before striking off.

Mr. Michael Shi has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date. Mr. Michael Shi is the brother of Mr. Shi Guan Lee and the father of Mr. Shane Shi.

Mr. Shi Guan Lee (徐源利先生), aged 54, is a co-founder of our Group and has been a director of HSC Pipeline Engineering since January 1993. He was appointed as a Director in July 2018 and re-designated as an Executive Director in August 2018. Mr. Shi Guan Lee has been our Group's operations director since January 1993 and is responsible for overseeing our Group's operating performance and monitoring project planning and execution.

Mr. Shi Guan Lee has over 26 years of experience in the construction industry. He had attended secondary education in Singapore until October 1979, then he participated in his family business engaging in building construction business and in March 1990, he formed ABBA Electrical & Plumbing Works which was engaged in electric works, plumbing, non-electric heating and air-conditioning.

He has attended a number of professional training courses to sharpen his skills and knowledge in operations. In October 1995, he completed the Underground Services Detection Course organised by the Singapore Power Training Institute. Besides, he completed the basic training for Durafuse PE electrofusion system for gas distribution organised by Glynwed Pipe Systems (Asia) Pte Ltd in March 1998, the Building Construction Safety Supervisors Course organised by the Occupational Safety and Health (Training & Promotion) Centre in September 2001, the 'on-site' course of instruction on Hy-Ram Fully Automatic butt-fusion Equipment organised by CPP Global Products Pte Ltd in July 2002, training for epros DrainLiner — Renovation System in accordance with DIBT (German Institute For Construction Engineering) organised by Pipe Seals Gateshead Ltd (Certified Consultant for Rehabilitation of Sewer System) in February 2010 and training on the WIDOS 4800 CNC 3.0 Welding Machine organised by WIDOS Technology (Asia Pacific) Pte Ltd. In November 2015, he was granted the Certificate of Competency in Hydraulic Excavator Operation by the Building and Construction Authority. Currently, he has also been a registered excavator operator recognised by SP PowerGrid Ltd since 1996.

Mr. Shi Guan Lee was previously a director of the following entity which has been struck off due to cessation of business:

Name of entity	Place of incorporation	Type of entity	Nature of business	Date of incorporation	Date of striking off
Mishi Engineering Pte Ltd	Singapore	Exempt private company limited by shares	Water and gas pipe-line and sewer construction	31 December 1999	5 April 2018

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shi Guan Lee confirmed that (i) the striking off of the above entity was voluntary and due to cessation of business; (ii) there is no wrongful act on his part leading to the striking off of the above entity and he is not aware of any actual or potential claim that has been or will be made against him as a result of the striking off of such entity, and (iii) the above entity was solvent immediately before striking off.

Mr. Shi Guan Lee has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date. Mr. Shi Guan Lee is the brother of Mr. Michael Shi and the uncle of Mr. Shane Shi.

Mr. Shi Hong Sheng (Xu Hongsheng) (徐鴻勝先生), aged 32, was appointed as a Director in July 2018 and re-designated as an Executive Director in August 2018. He was further appointed as a member of the remuneration committee of our Company on 26 February 2019. He has been a director of HSC Pipeline Engineering since April 2018. Mr. Shane Shi is responsible for overseeing our Group's operations and maintaining relationships with customers and suppliers.

Mr. Shane Shi has over seven years of experience in the construction industry. Mr. Shane Shi obtained a degree of Bachelor of Engineering (Mechanical Engineering (Honours)) from the National University of Singapore in June 2011 and a Specialist Diploma in Construction Productivity at the Building and Construction Authority in November 2016. Mr. Shane Shi joined our Group as a project manager in April 2011. Between December 2017 and March 2018, he was also a director of Skye Marine Pte. Ltd., which was engaged in engineering design and consultancy activities.

Mr. Shane Shi also attended a number of professional training courses. He attended the Building Construction Supervisors Safety Course organised by Absolute Kinetics Consultancy Pte Ltd in April 2011, the Confined Space Safety Assessor Course organised by Association of Process Industry in June 2011, the Work-at-Height Course for Supervisors organised by QMT Industrial & Safety Pte Ltd in April 2013, Construction Safety Course for Project Managers organised by Avanta Global Pte Ltd in October 2014, the course in relation to detect and locate underground power cables organised by SP Training and Consultancy Company Pte. Ltd. in December 2011, the course in relation to Earth Control Measures (ECM) For Construction Site Personnel organised by The Institute of Engineers, Singapore in February 2016 and the course in relation to Pavement Construction & Maintenance organised by the Building and Construction Authority in July 2014. Mr. Shane Shi has also obtained a Certificate in Workplace Safety and Health and an Advanced Certificate in Workplace Safety and Health granted by Singapore Workforce Development Agency in November 2012 and October 2013, respectively. Furthermore, he is a registered Earthworks Supervisor recognised by Singapore Institute of Power & Gas.

Mr. Shane Shi has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date. Mr. Shane Shi is the son of Mr. Michael Shi and the nephew of Mr. Shi Guan Lee.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. Cher Choong Kiak (徐俊傑先生) (“**Mr. Cher**”), aged 56, was appointed as an Independent Non-Executive Director on 26 February 2019. He is currently the chairman of the remuneration committee and a member of the audit committee.

Mr. Cher has been working in the finance industry for over three decades. He started his career with Singapore’s national savings bank, the Post Office Savings Bank in June 1983. He worked in client services and electronic banking department, security and investigations division and operations support functions, mainly responsible for handling ATM cash disputes and shortage claims, GIRO and interbank GIRO fund transfers and payments as well as staff and customer fraud investigations. Due to the merger of Post Office Savings Bank and DBS Bank, he then worked under DBS Bank as a bank executive until June 2011. During his time with DBS Bank, he performed similar roles as he did in Post Office Savings Bank; he also joined the anti-money laundering department and was responsible for monitoring suspicious transactions. He went on to join Standard Chartered Bank from June 2011 to April 2016 as an analyst in the transaction monitoring unit engaging in anti-money laundering compliance. He was a certified member of the Association of Certified Anti-Money Laundering Specialists until May 2018.

He has joined Bank of Singapore since April 2016. He is presently a compliance officer (senior associate) of the client monitoring department and is mainly responsible for transaction monitoring and compliance related advisory. Mr. Cher has been elected to the board of directors of TCC Credit Co-operative Limited, a credit cooperative registered under the Registrar of Cooperatives in Singapore, since 1998. He is a member of TCC Credit Co-operative Limited’s audit committee since 2012 as well as sitting on the board of its subsidiary since 2015.

In March 1993, Mr. Cher has obtained a Diploma in Business Efficiency & Productivity (Business Administration) from National Productivity Board Singapore. He also has an Advanced Diploma in Business Management from Management Development Institute of Singapore in collaboration with University of Bradford in 1994. In July 1999, he further obtained the Diploma in Industrial Relations from Singapore Institute of Labour Studies.

Mr. Cher has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

Mr. Chiam Soon Chian (詹舜全先生) (“**Mr. Chiam**”), aged 38, was appointed as an Independent Non-Executive Director on 26 February 2019. He is currently the chairman of the audit committee and a member of the nomination committee and remuneration committee.

Mr. Chiam has over 14 years of experience in the banking and consulting industry. He started his career as an auditor with Ernst & Young LLP (Singapore) in July 2004 until December 2005, where his duties included the performance of audit fieldwork and the preparation of general audit working papers. He was then a senior consultant of Protiviti Pte Ltd, a company principally engaged in management consultancy activities, between December 2005 and February 2007, where he assisted clients to improve risk management by evaluating business process risks, providing consultancy and internal control services. He was a manager of KPMG Huazhen between February 2007 and October 2011, where he had advised on the design of risk and compliance framework. He worked at Bank of America N.A., Shanghai Branch between October 2011 and January 2014 where his last position held was Assistant Vice President in Global Technology and Operations; he was in charge of the business continuity management

DIRECTORS AND SENIOR MANAGEMENT

programme and handled queries from auditors and regulators. He worked at Deutsche Bank between February 2014 and April 2016; he started in Deutsche Bank (China) Co., Ltd. Shanghai Branch as the vice president of the head of regulatory reporting (finance) and was later transferred to Deutsche Bank AG, Hong Kong Branch. He was mainly responsible for managing finance and operational projects.

Mr. Chiam is currently the chief operating officer of Lumens Auto Pte Ltd, a company based in Singapore principally engaged in the provision of car leasing services, and has been working there since November 2017. His major duties include planning for corporate growth, budgeting and resources allocation. In addition, he also assists on financial projections and analyses of existing programmes and policies.

Mr. Chiam obtained a Degree of Bachelor of Accountancy from the Nanyang Technological University in Singapore in June 2004. He has been a Chartered Accountant of Singapore at the Institute of Singapore Chartered Accountants since July 2013, a certified internal auditor at the Institute of Internal Auditors since November 2009 and a Project Management Professional at Project Management Institute since October 2017.

Mr. Chiam was previously a director of the following companies which have been struck off due to cessation of business:

Name of company	Place of incorporation	Type of company	Nature of business	Date of incorporation/ establishment	Date of striking off
Juicesome Place Pte. Ltd.	Singapore	Exempt private company limited by shares	Business and management consultancy services and event & concert organisers	2 September 2014	5 June 2017
TE Technology Pte. Ltd.	Singapore	Exempt private company limited by shares	Web portals (including social networking sites)	18 May 2016	10 October 2017

Mr. Chiam confirmed that (i) the striking off of the above companies were voluntary and due to cessation of business; (ii) there is no wrongful act on his part leading to the striking off of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the striking off of such companies, and (iii) the above companies were solvent immediately before striking off.

Mr. Chiam has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Choo Chih Chien Benjamin (朱志乾先生) (“**Mr. Choo**”), aged 42, was appointed as an Independent Non-Executive Director on 26 February 2019. He is currently the chairman of the nomination committee and a member of the audit committee.

Mr. Choo has over 16 years of experience in legal practice, where he specialises in matters relating to mergers & acquisitions, joint ventures, corporate finance, competition-law related matters and advising on securities regulations. Mr. Choo practiced as an advocate and solicitor with TSMP Law Corporation between May 2005 and April 2012, where he last held the position as a director and was responsible for representing clients on a wide spectrum of transactions such as mergers and acquisitions (including public takeovers), equity capital market deals and general corporate transactions. Mr. Choo was a director at Edmond Pereira Law Corporation between April 2012 and February 2018, and he was in charge of the firm’s corporate and transactional practice. Mr. Choo was a member of the Complaints and Disciplinary Panel constituted under the Singapore Accountants Act from June 2010 to May 2012. He has been a referee of the Small Claims Tribunal at the Subordinate Courts of Singapore since August 2010. He has also been a member of the Inquiry Panel constituted under the Singapore Legal Profession Act since August 2013.

Mr. Choo is currently a director of Genesis Law Corporation, a position he has held since March 2018. He is also an independent director of MeGroup Limited since September 2018, a company whose shares are listed on the Catalist Board of the Singapore Stock Exchange (stock code: SGX:SJY)

Mr. Choo obtained a Degree of Bachelor of Laws from the National University of Singapore in July 2001 and he has been admitted as an advocate and solicitor of the Supreme Court of Singapore since May 2002. He was also listed in Chambers Asia Pacific 2011 as a Leading Individual (Investment Funds: Domestic Firms).

Mr. Choo served as an independent director of AGV Group Limited between April 2016 and June 2018, a company principally engaged in galvanizing services, whose shares are listed on the Catalist Board of the Singapore Stock Exchange (stock code: 1A4).

Save as disclosed above, Mr. Choo has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

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 “Statutory and general information — D. Further information about our Directors” 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 AND SENIOR MANAGEMENT

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 particulars of their service contracts 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

The following table sets out the information in respect of our senior management:

Name	Age	Position	Date of joining our Group	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to our Group)
Mr. Goh Yong Cheng (吳勇臻)	54	Senior project manager	7 August 2001	Project management, planning and coordination	N/A
Mr. Kong Mun Kai (孔文佳)	36	Senior project manager	7 December 2005	Project management, planning and coordination	N/A
Mr. Kwok Chung Chieh Lincoln (郭中杰)	42	Financial controller	19 June 2018	Accounting operations and reporting, taxation, financial planning and internal control systems	N/A

Mr. Goh Yong Cheng (吳勇臻) (“Mr. Goh”), aged 54, joined our Group in August 2001 as the project manager and professional engineer and was promoted to senior project manager of our Group in September 2014. Mr. Goh is responsible for project management, planning and coordination of our Group.

Mr. Goh has over 20 years of experience in the construction industry. Prior to joining our Group, from March 1992 to May 1993 and July 1996 to December 1997, he worked at SC Engineering Consultants Pte. Ltd., a company principally engaged in civil and structural engineering, as a resident engineer, mainly responsible for overall project management. Between January 1998 and May 2001, he worked at St Architects & Engineers Pte Ltd, a company principally engaged in architectural and engineering activities and technical testing and analysis, as the chief resident engineer responsible for overall project management.

Mr. Goh obtained a Technician Diploma in Civil Engineering from Singapore Polytechnic in May 1985, a Bachelor of Engineering (Civil Engineering) from the Queen’s University of Belfast (UK) in July 1989 and a Graduate Diploma in Business Administration from Singapore Institute of Management in November 1992. He has also been a registered professional engineer in Civil Engineering of Singapore Professional Engineers Board since March 1996 and a member of The Institute of Engineers, Singapore since September 1993.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Goh has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

Mr. Kong Mun Kai (孔文佳) (“**Mr. Kong**”), aged 36, joined our Group in December 2005 as the project manager and was promoted to senior project manager of our Group in July 2018. Mr. Kong is responsible for project management, planning and coordination of our Group.

Mr. Kong has over 13 years of experience in the construction industry. He obtained a degree of Bachelor of Engineering (Honours) with a major in civil engineering from the University of Southern Queensland Australia in March 2006.

Mr. Kong has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

Mr. Kwok Chung Chieh Lincoln (郭中杰) (“**Mr. Kwok**”), aged 42, joined our Group in June 2018 as financial controller. He is responsible for the accounting operations and reporting, taxation, financial planning and internal control systems of our Group.

Mr. Kwok has over 11 years of experience in accounting and auditing. Prior to joining our Group, between January 2006 and August 2007, he worked at BDO Raffles as a senior audit assistant; between December 2007 and October 2008, he worked at Grant Thornton Transaction Services Pte. Ltd., a company principally engaged in management consultancy activities, as a senior associate; between November 2008 and January 2010, he worked at Crowe Horwath First Trust LLP as an audit senior; between February 2010 and November 2010, he worked at T.S. Tay & Associates as an audit supervisor; between July 2011 and January 2012, he worked at Premium Land Pte. Ltd., a company principally engaged in real estate activities, as a finance manager; between February 2012 and October 2013, he worked at Tan & Teh as an audit manager; between December 2013 and May 2014, he worked at BDO LLP as an assistant audit manager; between June 2014 and July 2015, he worked at Tritech Group Limited, a company listed on the Catalist board of the Singapore Stock Exchange (stock code: 5G9) and engaged in urban and environmental infrastructure and water and environmental protection business, as a financial controller; and between February 2016 and June 2018, he worked at Starland Holdings Limited, a company listed on the Catalist board of the Singapore Stock Exchange (stock code: 5UA) and principally engaged in the development of residential and commercial properties in the PRC, as a financial controller.

Mr. Kwok obtained the Degree of Bachelor of Engineering (Electrical) from the National University of Singapore in July 2001 and the degree of Master of Accounting at Curtin University of Technology in February 2006. Furthermore, he has been a member of CPA Australia, the Association of Chartered Certified Accountants (ACCA) and the Institute of Singapore Chartered Accountants (CA) since December 2010, March 2013 and September 2013, respectively.

Mr. Kwok has not been a director of any listed company in the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Hwang Hau-zen Basil (黃浩宸) (“Mr. Hwang”), aged 47, was appointed as our company secretary in August 2018. Mr. Hwang has over 20 years of experience in advising on financial regulatory matters, corporate finance transactions and mergers and acquisitions.

Mr. Hwang has been the Managing Partner of Hwang Hauzen LLP since January 2018. He was previously a partner of Zhong Lun Law Firm from February 2015 to January 2016 and was the managing partner of the Hong Kong office of Dechert LLP from November 2007 to January 2014. Mr. Hwang was the joint company secretary and joint authorised representative of China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited), a company listed on the Stock Exchange (stock code:412), from May 2017 to September 2017. From February 2015 to January 2017, he was also an executive director, the company secretary, general counsel and head of development and investments and member of the executive committee of Daohe Global Group Limited (formerly known as Linmark Group Limited), a company listed on the Stock Exchange (stock code:915). From May 2014 to February 2017, he was an independent non-executive director of First Sponsor Group Limited, a company listed on the Singapore Stock Exchange (stock code: ADN).

Mr. Hwang obtained a Degree of Bachelor of Laws from the National University of Singapore in July 1997, and a Degree of Master of Science in Global Finance jointly granted by The Hong Kong University of Science and Technology and New York University, United States of America in May 2013. Mr. Hwang was admitted as an advocate and solicitor in Singapore in October 1998, as a solicitor in England and Wales in August 2000 and as a solicitor in Hong Kong April 2004. He holds a solicitor’s practising certificate with the Law Society of Hong Kong. Mr. Hwang has been a board member of The Singapore Chamber of Commerce (Hong Kong) since 2007.

Mr. Hwang does not act as an individual employee of our Company, but as an external service provider in respect of the appointment of Mr. Hwang as the company secretary of our Company. Pursuant to paragraph F.1.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, 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. In this respect, the Company has nominated Mr. Shane Shi as its contact point for Mr. Hwang.

In view of Mr. Hwang’s experience in legal and company secretarial functions and with Stock Exchange rules and regulations, our Directors believe that Mr. Hwang has the appropriate legal and company secretarial expertise for the purposes of Rule 3.28 of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Under code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Michael Shi currently acts as the Chairman and the Chief Executive Officer of our Company. Throughout our business history, Mr. Michael Shi, being a co-founder of our Group and a Controlling Shareholder, has held the key leadership position of our Group and has been deeply involved in the formulation of corporate strategies and management of the business and operations of our Group since it was founded in January 1993. Taking into account the consistent leadership within our Group, the Board believes that it is in the best interests of our Group and our Shareholders as a

DIRECTORS AND SENIOR MANAGEMENT

whole to have Mr. Michael Shi taking up both roles for effective and efficient overall strategic planning and continuation of the implementation of such plans for our Group. Our Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively.

Save as disclosed above, our Company has complied with the code provisions of 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.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of experiences and industry background, including but not limited to experiences in construction, finance, banking and consulting, and legal industries. The three independent non-executive Directors who have different industry backgrounds, represent more than one third of our Board members.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis.

BOARD COMMITTEES

The audit committee, remuneration committee and nomination committee of our Company were approved to be established by resolutions passed by our Board on 26 February 2019. Each of the three committees has written terms of reference. The functions of the three committees are summarised as follows:

Audit committee

Our Group established an audit committee on 26 February 2019 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 (the “**Corporate Governance Code**”) as set out in Appendix 14 to the Listing Rules. The audit committee consists of all of the Independent Non-Executive Directors, namely, Mr. Cher Choong Kiak, Mr. Chiam Soon Chian (Zhan Shunquan) and Mr. Choo Chih Chien Benjamin. Mr. Chiam Soon Chian (Zhan Shunquan) is the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

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.

Remuneration committee

Our Group established a remuneration committee on 26 February 2019 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. Cher Choong Kiak, Mr. Shane Shi and Mr. Chiam Soon Chian (Zhan Shunquan). Mr. Cher Choong Kiak 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 26 February 2019 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 to the Listing Rules. The nomination committee consists of three members, namely, Mr. Chiam Soon Chian (Zhan Shunquan), Mr. Michael Shi and Mr. Choo Chih Chien Benjamin. Mr. Choo Chih Chien Benjamin is the chairman of the nomination committee.

The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of our Independent Non-Executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our Chairman and the chief executive.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Fortune Financial as our compliance adviser to provide advisory services to our Company. Pursuant to Rule 3A.23 of the Listing Rules, it is expected that the compliance adviser will, amongst other things, advise our Company with due care and skill on the following circumstances:

- (i) before the publication of any regulatory announcements, circulars or financial reports under any applicable laws, rules, codes and guidelines;

DIRECTORS AND SENIOR MANAGEMENT

- (ii) where a transaction, which might be a discloseable or notifiable or connected transaction under Chapters 13, 14 and/or 14A of the Listing Rules, is contemplated including shares issues and share repurchases;
- (iii) where we propose to use the proceeds from the Share Offer 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
- (iv) where the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares or other issues under Rule 13.10 of the Listing Rules.

Term

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.

Remuneration of Directors and senior management

During the three years ended 31 March 2018 and the six months ended 30 September 2018, 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\$0.8 million, S\$0.8 million, S\$0.8 million and S\$0.2 million, respectively.

Our 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 March 2018 and the six months ended 30 September 2018, 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\$0.4 million, S\$0.4 million, S\$0.4 million and S\$0.2 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 section headed "Statutory and general information — D. Further information about our Directors" 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. Our Directors estimate that under the current

DIRECTORS AND SENIOR MANAGEMENT

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 our Directors will be approximately S\$0.4 million for the year ending 31 March 2019.

None of our Directors waived or agreed to waive any emoluments during the Track Record Period. Save as disclosed in this prospectus, 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.

Retirement Benefit Scheme

Our Group participates in the Central Provident Fund for our employees in accordance with the Central Provident Fund Act, Chapter 36 of Singapore. See the section headed “Regulatory overview” for further details.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company fully paid up or credited as fully paid up immediately following the completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) is as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000.00</u>
<i>Issued share capital:</i>		<i>HK\$</i>
100	Shares in issue as at the date of this prospectus	1.00
689,999,900	Shares to be issued pursuant to Capitalisation Issue (<i>Note</i>)	6,899,999.00
<u>230,000,000</u>	Shares to be issued under the Share Offer	<u>2,300,000.00</u>
<u>920,000,000</u>	Shares in total	<u>9,200,000.00</u>

Note: Pursuant to the written resolutions of the sole Shareholder passed on 26 February 2019, conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise the amount of HK\$6,899,999 from the amount standing to the credit of the share premium account of our Company and to apply such amount in paying up in full at par 689,999,900 Shares for allotment and issue to APL, as the sole Shareholder at the close of business on the Business Day immediately before the Listing Date.

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, exercise of any options which may be granted under the Share Option Scheme or any Shares issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

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).

SHARE CAPITAL

RANKINGS

The Offer Shares are ordinary Shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

CAPITALISATION ISSUE

Pursuant to the written resolutions of the sole Shareholder passed on 26 February 2019, subject to the share premium account of our Company being credited as a result of the Listing, our Directors were authorised to allot and issue a total of 689,999,900 Shares to those Shareholders whose names were on the register of members of our Company on the Business Day immediately before the Listing Date, credited as fully paid at par, by way of capitalisation of the sum of HK\$6,899,999 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

SHARE OPTION SCHEME

Pursuant to the written resolution of the sole Shareholder passed on 26 February 2019, we have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and general information — F. Share Option Scheme” in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (i) 20% of the aggregate number of issued Shares of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme); and
- (ii) the aggregate nominal value of share capital of our Company repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed “General mandate to repurchase Shares” referred to below.

SHARE CAPITAL

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

Further details of this general mandate are set out in the section headed "Statutory and general information — A. Further information about our Company — 4. Written resolutions of our sole Shareholder passed on 26 February 2019" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the aggregate number of issued Shares of our Company or to be issued immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and general information — A. Further information about our Company — 5. Repurchase of our Shares" in Appendix V to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this share repurchase mandate, see the section headed "Statutory and general information — A. Further information about our Company — 4. Written resolutions of our sole Shareholder passed on 26 February 2019" in Appendix V to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES WHERE GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the section headed “2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class or shares may 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. For further details, please refer to the section headed “2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following person(s) will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/Nature of interest	Number of Share(s) held immediately after the Capitalisation Issue and the Share Offer	Percentage of shareholding in our Company immediately after the Capitalisation Issue and the Share Offer
APL	Beneficial owner (<i>Note 1</i>)	690,000,000	75%
Mr. Michael Shi	Interest of controlled corporation (<i>Note 1</i>)	690,000,000	75%
Ms. Oh Lay Guat	Interest of spouse (<i>Note 2</i>)	690,000,000	75%

Notes:

- (1) The entire issued share capital of APL is legally and beneficially owned by Mr. Michael Shi. Accordingly, Mr. Michael Shi is deemed to be interested in the 690,000,000 Shares held by APL by virtue of the SFO.
- (2) Ms. Oh Lay Guat is the spouse of Mr. Michael Shi and is therefore deemed to be interested in all the Shares that Mr. Michael Shi is interested in by virtue of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Stock Exchange, details of which are set out in the section headed “Underwriting”. Our Controlling Shareholders and our Company have also given undertakings in respect of the Shares and the Stock Exchange as required by Rules 10.07(1) and 10.08 of the Listing Rules, respectively.

FINANCIAL INFORMATION

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 IFRSs. 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 the section headed “Risk factors” and elsewhere in this prospectus.

OVERVIEW

We are principally a main contractor specialising in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries in Singapore with over 26 years of track record. During the Track Record Period, we derived most of our revenue from gas and water utilities companies. However, we are gradually expanding our foothold into telecommunications and power industries. During the Track Record Period, approximately 80% of our revenue was contributed by our private sector customers in the utilities industry. Our revenue from the provision of infrastructural pipeline construction and related engineering services for the three years ended 31 March 2018 and the six months ended 30 September 2018 amounted to approximately S\$29.5 million, S\$28.4 million, S\$23.4 million and S\$14.1 million, respectively. During the Track Record Period, we recognised profit/(loss) and total comprehensive income attributable to owners of our Group for the year/period of approximately S\$4.0 million, S\$3.3 million, S\$4.5 million and S\$57,000, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 17 July 2018 and became the holding company of HSC Pipeline Engineering pursuant to the Reorganisation completed on 14 February 2019. Please refer to section headed “History, Reorganisation and corporate structure — Reorganisation” for further details of the Reorganisation.

We have prepared the financial information as if our Company had been the holding company of HSC Pipeline Engineering throughout the Track Record Period. We have prepared our combined financial information for the Track Record Period in accordance with IFRSs on the basis of preparation as set out in Note 1.3 and Note 2 to the accountant’s report in Appendix I to this prospectus.

FINANCIAL INFORMATION

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:

Our success rate on project tenders

Our projects come mainly from two sources, namely, (i) public tender opportunities published on GeBIZ; and (ii) private tenders posted on our customers' own online portal or invitations to quote from private customers. Our projects are typically secured through a competitive tendering process. Our tender success rates were approximately 16.7%, 0%, 12.5% and 0% for public tenders and approximately 30.8%, 42.9%, 29.4% and 50.0% for private tenders for the three years ended 31 March 2018 and six months ended 30 September 2018. Please refer to section headed "Business — Project management and operations — Tender phase" for further details on the tender success rate of our Group. Our tender success rate depends on various factors, such as our pricing, tender strategy, past performance customers' tender evaluation standards, and our competitors' pricing and tender strategy. Our tender success rate and our order book will affect our financial position and performance.

Pricing of our projects

Our pricing is generally based on a cost plus basis having considered the cost of various overheads, labour, subcontracting and material costs. We need to estimate our costs in order to determine our tender price and there is no assurance that the actual amount of costs would not exceed our estimation during the performance of our projects. There are also other factors that we would typically consider when determining our pricing, including but not limited to the (i) the scope of works; (ii) scale and complexity of the project; (iii) our internal competencies to fulfil the project; (iv) construction schedule; (v) our current work commitments; (vi) availability of resources; (vii) the requirements for delivery and post delivery activities such as warranty, contract obligations and maintenance; (viii) cost of materials; (ix) the applicable statutory or regulatory requirements; and (x) the competitive environment. For further details, please refer to the section headed "Business — Sales and marketing — Pricing and tender strategy". Our pricing directly affects our revenue and cash flows.

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 on factors such as the number of projects, its contract value and completion percentage of projects. Hence, the number of contracts and progress of each project we undertake 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 refer to Note 2 to the accountant's report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

Fluctuation in cost of sales

Our cost of sales mainly comprise (i) material costs; (ii) staff costs; and (iii) subcontractor costs. We engage suppliers and subcontractors in Singapore and our main purchases include pipes, asphalt premix, backfilling materials and diesel while our main subcontracting services include non-destructive testing, milling and patching works, and electrical works. Please refer to sections headed “Business — Suppliers” and “Business — Subcontractors” for further details on our suppliers and subcontractors.

As part of our project risk management policy, we manage risk of cost overruns by (i) buffering the tender price by taking into account any unanticipated increase in costs; and (ii) purchasing materials mainly based on the specific needs of contracts. We will also obtain quotations from our suppliers and subcontractors for all key categories of goods and services required for a project during the tender phase. Notwithstanding our management of costs, any material fluctuation in our cost of sales may adversely impact our financial performance.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of staff costs, material costs and subcontracting fees (being the major cost components of our cost of sales) on our profit before income tax during the Track Record Period. The hypothetical fluctuation rates for staff costs, materials costs, and subcontracting fees are set at 5.0%, 15.0%, and 10.0%, respectively, which were derived with reference to the historical fluctuation of the respective costs in proportion of revenue during the Track Record Period.

Hypothetical fluctuations in our staff costs	+/-5.0%
	S\$'000
Increase/decrease in profit before income tax (Note 1)	
Year ended 31 March 2016	+/-239
Year ended 31 March 2017	+/-266
Year ended 31 March 2018	+/-272
Six months ended 30 September 2018	+/-159
Hypothetical fluctuations in our materials costs	+/-15.0%
	S\$'000
Increase/decrease in profit before income tax (Note 1)	
Year ended 31 March 2016	+/-791
Year ended 31 March 2017	+/-1,038
Year ended 31 March 2018	+/-614
Six months ended 30 September 2018	+/-551
Hypothetical fluctuations in our subcontracting fees	+/-10.0%
	S\$'000
Increase/decrease in profit before income tax (Note 1)	
Year ended 31 March 2016	+/-747
Year ended 31 March 2017	+/-540
Year ended 31 March 2018	+/-253
Six months ended 30 September 2018	+/-126

Note:

- (1) Our profit before income tax was approximately S\$4.9 million, S\$3.6 million, S\$5.3 million and S\$0.5 million for the three years ended 31 March 2018 and the six months ended 30 September 2018 respectively.

FINANCIAL INFORMATION

Changes in laws and regulations governing the construction industry in Singapore

Our business is governed by various laws and regulations in Singapore, as summarised in the section headed “Regulatory overview”. Changes in laws and regulations governing our business may affect our profitability and financial performance. For instance, any changes in licensing requirements may affect our ability to continue to tender for Singapore Government contracts, and any changes in foreign worker levy rates will affect our costs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with the accounting policies which conform with IFRSs. The significant accounting policies adopted by our Group are set forth in detail in Note 2 to the accountant’s report set out in Appendix I to this prospectus.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. Further information regarding the key judgments made in applying our accounting policies are set forth in Note 4 to the accountant’s report set out in Appendix I to this prospectus.

Effect on the adoption of IFRS 9

Our historical combined financial information has been prepared based on our underlying financial statements, in which IFRS 9 “Financial instruments” (“IFRS 9”) has been adopted and applied consistently since the beginning of, and throughout, the Track Record Period. We have adopted IFRS 9 instead of IAS 39 ‘Financial Instruments: Recognition and Measurement’ (“IAS 39”) in the preparation of our underlying financial statements, such that our historical financial information prepared under IFRS 9 is comparable on a period-to-period basis.

We have assessed the effects of application of IFRS 9 on our financial position and performance. The financial assets held by our Group include only financial instruments measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9. Accordingly, our Company does not expect the new guidance to affect the classification and measurement of these financial assets.

Save as the aforesaid, our Directors consider that the application of IFRS 9 did not have significant impact on our financial position and performance compared to the requirements of IAS 39 during the Track Record Period.

FINANCIAL INFORMATION

Effect on the adoption of IFRS 15

Our historical combined financial information has been prepared based on our underlying financial statements, in which and IFRS 15 “Revenue from contracts with customers” (“IFRS 15”) have been adopted and applied consistently since the beginning of, and throughout, the Track Record Period. We have assessed the effects of application of IFRS 15 on our financial position and performance. Our Directors consider that the adoption of IFRS 15 would not have a significant impact on our Company’s financial position and performance compared to the requirements of IAS 18 as at and for each year/period end of Track Record Period and there was no adjustment made in net profit during the Track Record Period as a result of such early adoption.

Revenue recognition

Our Group recognises revenue from the contract progressively over time using the input method, i.e., based on the proportion of the actual costs incurred relative to the estimated total costs. Estimated construction revenue is determined with reference to the terms of the relevant contracts. Contract costs which mainly comprise subcontractor cost, material cost and labour cost are estimated by the management on the basis of quotations from time to time provided by the major subcontractors and suppliers and the historical experience on similar projects.

Our Group reviews and revises the estimates of both contract revenue and costs for each construction contract as the contract progresses. Significant judgement is used to estimate total contract costs to complete. The actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised. Based on historical experience with similar projects, the difference is immaterial.

The contract assets on construction contracts represent our Group’s right to consideration for work completed and not billed as the rights are conditioned on our Group’s future performance in satisfying the respective performance obligations. The contract liabilities on construction contracts represent our Group’s obligation to transfer project works to customers for which our Group has received consideration (or an amount consideration is due) from the customers. Please refer to Note 20 to the accountant’s report set out in Appendix I to this prospectus for details.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following is a summary of the combined statements of comprehensive income of our Group for the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018 respectively, derived from the accountant's report set out in Appendix I to this prospectus.

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(unaudited)	
Revenue	29,502	28,408	23,419	11,908	14,141
Cost of sales	<u>(22,491)</u>	<u>(22,690)</u>	<u>(16,021)</u>	<u>(8,253)</u>	<u>(10,502)</u>
Gross profit	7,011	5,718	7,398	3,655	3,639
Other income	412	657	495	233	259
Other gains/(losses)	27	(137)	(218)	16	(36)
Administrative expenses (including listing expenses)	(2,342)	(2,296)	(2,283)	(1,022)	(3,350)
Finance costs	(123)	(93)	(36)	(34)	(17)
Fair value loss on investment properties	<u>(110)</u>	<u>(250)</u>	<u>(75)</u>	<u>—</u>	<u>—</u>
Profit before income tax	4,875	3,599	5,281	2,848	495
Income tax expense	<u>(854)</u>	<u>(349)</u>	<u>(783)</u>	<u>(420)</u>	<u>(438)</u>
Profit and total comprehensive income for the year/period	<u><u>4,021</u></u>	<u><u>3,250</u></u>	<u><u>4,498</u></u>	<u><u>2,428</u></u>	<u><u>57</u></u>

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we provide pipeline engineering services and solutions mainly to gas, water, telecommunications and power utilities companies in the private sector and Singapore government agencies such as those governing water utility and catchment in the public sector. We design, procure, supply, deliver, install, lay, construct, test and commission pipelines of different steering and pipe diameters to produce a complete, safe, economical and workable pipeline systems for our customers within the scheduled time frame. We undertake our projects in the capacity of both main contractor and subcontractor. The following table sets forth a breakdown of our revenue by type of projects during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2016		2017		2018		2017		2018	
	<i>% to Total</i>		<i>% to Total</i>		<i>% to Total</i>		<i>% to Total</i>		<i>% to Total</i>	
	<i>S\$'000</i>	<i>Revenue</i>	<i>S\$'000</i>	<i>Revenue</i>	<i>S\$'000</i>	<i>Revenue</i>	<i>S\$'000</i>	<i>Revenue</i>	<i>S\$'000</i>	<i>Revenue</i>
	(unaudited)									
Gas pipeline	20,942	71.0	21,053	74.1	13,337	56.9	7,918	66.5	2,731	19.3
Water pipeline	5,675	19.2	6,116	21.5	9,066	38.7	3,685	30.9	6,374	45.1
Cable installation <i>(Note)</i>	2,885	9.8	1,239	4.4	1,016	4.4	305	2.6	5,036	35.6
Total	29,502	100.0	28,408	100.0	23,419	100.0	11,908	100.0	14,141	100.0

Note: Cable installation includes cable installation projects for telecommunications and power utilities companies, as well as those relating to the installation of solar panels.

Our customers mainly comprise (i) gas, water, telecommunications, power utilities companies in the private sector; and (ii) Singapore government agencies such as those governing water utility and catchment in the public sector.

	For the year ended 31 March						For the six months ended 30 September			
	2016		2017		2018		2017		2018	
	<i>% to Total</i>		<i>% to Total</i>		<i>% to Total</i>		<i>% to Total</i>		<i>% to Total</i>	
	<i>S\$'000</i>	<i>Revenue</i>	<i>S\$'000</i>	<i>Revenue</i>	<i>S\$'000</i>	<i>Revenue</i>	<i>S\$'000</i>	<i>Revenue</i>	<i>S\$'000</i>	<i>Revenue</i>
	(unaudited)									
Private sector	25,208	85.4	22,954	80.8	16,372	69.9	8,444	70.9	10,308	72.9
Public sector	4,294	14.6	5,454	19.2	7,047	30.1	3,464	29.1	3,833	27.1
Total	29,502	100.0	28,408	100.0	23,419	100.0	11,908	100.0	14,141	100.0

We have competitive advantage in managing and executing 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 infrastructural pipeline construction for gas, water, telecommunications and power industries. Our percentage of revenue derived in our capacity acting as main contractor was 99.1%, 99.7%, 94.6%, 98.6% and 84.1% respectively for the year ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2017 and 2018.

FINANCIAL INFORMATION

Our revenue from the provision of infrastructural pipeline construction and related engineering services for the year ended 31 March 2016, 2017 and 2018 and for the six months ended 30 September 2017 and 2018 amounted to approximately S\$29.5 million, S\$28.4 million, S\$23.4 million, S\$11.9 million and S\$14.1 million, respectively. Revenue decreased by approximately S\$1.1 million from approximately S\$29.5 million for the year ended 31 March 2016 to approximately S\$28.4 million for the year ended 31 March 2017 was mainly due to (i) the decrease in revenue contributed by a gas pipeline project by approximately S\$6.8 million including the liquidated and ascertained damages for the potential damages claim amounting to approximately S\$2.5 million by way of a reduction in revenue for the year ended 31 March 2017.

Please refer to the section headed “Business — Litigation and claims” for further details; (ii) the decrease in revenue for cable installation projects of approximately S\$1.6 million, which was mainly due to the substantial completion of project #9 in November 2017; partially net off by (iii) the increase in revenue for gas pipeline projects of approximately S\$7.2 million from projects commenced near the year ended 31 March 2016 or during the year ended 31 March 2017; and (iv) the increase in revenue for water pipeline projects of approximately S\$0.4 million, which was mainly attributable to a new project for Customer C of project #14.

Our revenue decreased by approximately S\$5.0 million from approximately S\$28.4 million for the year ended 31 March 2017 to approximately S\$23.4 million for the year ended 31 March 2018 mainly due to (i) the decrease in the revenue attributable to our gas pipeline projects of approximately S\$9.4 million, as we had substantially completed three gas pipeline projects, namely project #3, #5 and #6 for Customer A for the year ended 31 March 2018 (which also included the liquidated and ascertained damages for the potential damages claim amounting to approximately S\$0.3 million by way of a reduction in revenue for the year ended 31 March 2018 imposed by Customer A); and net off by (ii) the increase in revenue of approximately S\$4.0 million due to the substantial work conducted for water pipeline project #14 for the year ended 31 March 2018.

Our revenue increased by approximately S\$2.2 million or approximately 18.8% from approximately S\$11.9 million for the six months ended 30 September 2017 to approximately S\$14.1 million for the six months ended 30 September 2018. The increase in revenue was mainly attributable to (i) approximately S\$4.2 million of revenue contributed by three new water pipeline projects which commenced near the year ended 31 March 2018; (ii) approximately S\$4.9 million of revenue in aggregate contributed by two new cable installation projects for the power industry and solar panels respectively in the six months ended 30 September 2018; and partially offset by (iii) the decrease of approximately S\$5.2 million of revenue from our gas pipeline projects, which was primarily attributed to four gas pipeline projects have substantially completed during the year ended 31 March 2018; and (iv) the decrease of approximately S\$1.6 million of revenue due to less revenue recognised during the six months ended 30 September 2018 as compared to that of 2017 from one water pipeline project #4.

FINANCIAL INFORMATION

Cost of sales

Cost of sales refers to costs that are directly related to our projects such as material costs, subcontractor costs, labour costs, overheads and depreciation, which amounted to approximately S\$22.5 million, S\$22.7 million, S\$16.0 million, S\$8.3 million and S\$10.5 million for the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018 respectively. The table below sets forth a breakdown of our cost of sales by nature and percentage contribution to total cost of sales for the periods indicated.

	2016		For the year ended 31 March				For the six months ended 30 September			
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
							(unaudited)			
Material costs	5,270	23.4	6,917	30.5	4,094	25.6	2,238	27.1	3,672	35.0
Subcontractor costs	7,467	33.2	5,397	23.8	2,527	15.8	1,209	14.7	1,258	12.0
Labour costs	4,773	21.2	5,315	23.4	5,447	34.0	2,742	33.2	3,176	30.2
Overheads	3,846	17.1	3,783	16.7	2,684	16.7	1,398	16.9	1,755	16.7
Depreciation	1,135	5.1	1,278	5.6	1,269	7.9	666	8.1	641	6.1
Total	<u>22,491</u>	<u>100.0</u>	<u>22,690</u>	<u>100.0</u>	<u>16,021</u>	<u>100.0</u>	<u>8,253</u>	<u>100.0</u>	<u>10,502</u>	<u>100.0</u>

Our cost of sales during the Track Record Period comprised (i) material costs for pipes, asphalt premix, backfilling materials and diesel; (ii) subcontracting fees for services such as the supply and installation of metal products, non-destructive testing, milling and patching works and electrical works; (iii) labour costs for staff directly involved in our projects, such as supervisors and site workers; (iv) overheads such as upkeep of motor vehicles and machinery, diesel for fueling motor vehicles and excavators, insurance and rental of machinery such as cranes; and (v) depreciation of machineries and motor vehicle used for our projects.

Gross profit

Our gross profit was approximately S\$7.0 million, S\$5.7 million, S\$7.4 million, S\$3.7 million and S\$3.6 million for the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018 respectively. The following table sets forth our gross profit and gross profit margin by type of projects for the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018 respectively:

	2016		For the year ended 31 March				For the six months ended 30 September			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
							(unaudited)			
Gas pipeline	6,161	29.4	4,249	20.2	4,308	32.3	2,403	30.3	955	34.9
Water pipeline	749	13.2	1,363	22.3	2,932	32.3	1,207	32.8	1,863	29.3
Cable installation ^(Note)	<u>101</u>	<u>3.5</u>	<u>106</u>	<u>8.6</u>	<u>158</u>	<u>15.6</u>	<u>45</u>	<u>14.6</u>	<u>821</u>	<u>16.3</u>
Total	<u>7,011</u>	<u>23.8</u>	<u>5,718</u>	<u>20.1</u>	<u>7,398</u>	<u>31.6</u>	<u>3,655</u>	<u>30.7</u>	<u>3,639</u>	<u>25.7</u>

Note: Cable installation includes cable installation projects for telecommunications and power utilities companies, as well as those relating to the installation of solar panels.

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Our gross profit and gross profit margin are dependent on our pricing strategy as well as the progress of each project during the relevant year/period. Generally, we would obtain quotations from our suppliers and/or subcontractors for major supplies and services required as reference for our cost preparation to determine our tender price of the project. Please refer to section headed “Business — Sales and marketing — Pricing and tender strategy” for further details. Our overall gross profit margins were approximately 23.8%, 20.1%, 31.6%, 30.7% and 25.7% during the Track Record Period respectively.

Our gas pipeline projects gross profit margins for the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018 were approximately 29.4%, 20.2%, 32.3%, 30.3% and 34.9%, respectively. The decrease of the gross profit margins from approximately 29.4% for year ended 31 March 2016 to approximately 20.2% for the year ended 31 March 2017 was mainly attributable to the recognition of the potential claims for the liquidated and ascertained damages (“LAD”) for project #3, while the gross profit margin for the year ended 31 March 2018 would be approximately 32.3% in the absence of the LAD. The gross profit margin increased from approximately 30.3% for the six months ended 30 September 2017 to approximately 34.9% for the six months ended 30 September 2018 mainly due to project #12 with a higher gross profit margin of approximately 51.9%, which recognised more revenue in the six months ended 30 September 2018 than that of 2017.

During the Track Record Period, out of 11 gas pipeline projects, of which each has a revenue contribution of over S\$1 million during the entire Track Record Period, we have undertaken two gas pipeline projects, namely project #11 and project #12, which have a relatively higher gross profit margin over 35%, with an average gross profit margin of approximately 51.9%. The higher gross profit margin was mainly due to the emergency works as the projects were term contracts which enabled us to charge a higher margin on the work orders. On the other hand, out of those 11 gas pipeline projects, we have undertaken one gas pipeline project, project #2, which has a gross profit margin of lower than 15%, which was primarily attributable to more labour costs (including project management staff costs) incurred due to the complexity in execution in the area that our Group was tasked.

Our water pipeline projects generated a gross profit margin of approximately 13.2%, 22.3%, 32.3%, 32.8%, and 29.3% for the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018, respectively. The increase in the gross profit margin for the three years ended 31 March 2018 was mainly due to (i) the decreased amount of work done for project #8, which had a relative low profit margin of 0.6% as we engaged a major subcontractor for the supply and installation of metal products which we did not have the experience in that specific scope of work, and thus incurred higher subcontractor costs during the year ended 31 March 2017, and before its substantial completion in November 2017 during the year ended 31 March 2018; and (ii) the work progress achieved on project #14, which had a relatively high budgeted profit margin of approximately 33.0%, during the years ended 31 March 2017 and 2018, primarily due to our expertise in pipe jacking works which enabled us to charge a higher fee. The gross profit margin decreased from approximately 32.8% for the six months ended 30 September 2017 to approximately 29.3% for the six months ended 30 September 2018 mainly due to the combined effect of (i) one new project #16, with a relatively low gross profit margin of approximately 18.0%, which was commenced in April 2018; and (ii) the decrease in revenue recognised for project #14 for the six months ended 30 September 2018 as compared to that of 2017, which has a higher gross profit margin of approximately 33.0%.

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During the Track Record Period, out of the six water pipeline projects, of which each has a revenue contribution of over S\$1 million during the entire Track Record Period, we have undertaken two water pipeline projects, which has a relatively higher gross profit margin of over 35%, with an average gross profit margin of approximately 46.1%. The higher gross profit margin was mainly due to these projects, being the district cooling projects, which required our specialised skills, and consequently a higher gross profit margin could be secured. Apart from project #8 as mentioned above, we did not have other water pipeline projects whose revenue contribution was over S\$1 million during the Track Record Period with a gross profit margin lower than 15%.

Our cable installation generated a gross profit margin of approximately 3.5%, 8.6%, 15.6%, 14.6%, and 16.3% for the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018, respectively. Cable installation projects generally have a lower gross profit margin as compared to gas and water pipeline projects. During the Track Record Period, the cable installation projects had a gross profit margin ranging from approximately 3.0% to 20.0%, generally in line with the average gross profit margin for each relevant year/period. The increase in the gross profit margin over the Track Record Period was mainly attributable to two new cable installation projects, one for the telecommunication industry which commenced in August 2016, with a gross profit margin of approximately 16.7%, and the other one for the power industry which commenced in May 2018, with a gross profit margin of approximately 20.0%, both of which our Group was able to secure with a relatively higher profit margin, primarily due to the track record built up by us in the cable installation market which enabled us to secure a relatively higher gross profit margin, and our Directors believe that customers are generally more willing to engage a contractor with the relevant experience and good reputation. Nonetheless, during the Track Record Period, out of five cable installation projects which have a revenue contribution of over S\$1 million during the entire Track Record Period, we have undertaken one project, namely project #9, with a gross profit margin of below 5%, primarily due to the change of work scope and thus a reduction in the contract sum as fewer work orders were placed, which rendered a relatively lower gross profit margin.

Please also refer to the paragraph headed “Period to period comparison of results of operations” below for the detailed reasons of the fluctuations in our gross profit margin during the Track Record Period.

Other income

The table below sets forth a breakdown of our other income for the year/period indicated.

	For the year ended 31 March			For the six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(unaudited)	
Rental income	137	207	185	109	45
Interest income	—	—	20	9	—
Government grants	89	162	153	111	34
Insurance claims	68	165	60	—	2
Others	118	123	77	4	178
Total	<u>412</u>	<u>657</u>	<u>495</u>	<u>233</u>	<u>259</u>

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During the Track Record Period, our other income comprised: (a) interest income from fixed deposits; (b) government grants, which mainly included Quieter Construction Fund, Mech C Scheme whereby the Singapore government provides assistance to Singapore-registered businesses to defray the cost of adopting technologies that improve productivity in construction projects and wages credits granted under the Wage Credit Scheme (see section “Regulatory overview” for further details); (c) rental income from our investment properties (see section headed “Appendix III — Property valuation report” for further details); (d) reimbursement of claims under the work injury compensation policies for our workers; and (e) others mainly represents sundry income such as income from sale of scrap and good earth and incentive award received from customer.

Other gains/(losses)

The table below sets forth a breakdown of our other gains or losses for the year/period indicated.

	Year ended 31 March			For the six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(unaudited)	
Gains/(losses) on disposal of property, plant and equipment	40	1	12	12	(16)
Write off of property, plant and equipment	(5)	(137)	(226)	—	(11)
Foreign exchange (losses)/gains	(8)	(1)	(4)	4	(9)
	<u>27</u>	<u>(137)</u>	<u>(218)</u>	<u>16</u>	<u>(36)</u>

Other gains/(losses) mainly include the gains/(losses) on disposal of property, plant and equipment, mainly on the disposal of motor vehicle and machinery, write off of property, plant and equipment, and realised and unrealised foreign exchange gains or losses due to settlement of foreign currencies with our suppliers.

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Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the year/period indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(unaudited)	
Staff costs	1,167	1,203	1,171	490	618
Depreciation of property, plant and equipment	672	548	554	288	278
Amortisation of intangible assets	—	—	—	—	16
Rental expenses	102	97	85	44	40
Auditor's remuneration	6	10	15	4	40
Entertainment expenses	14	22	23	8	10
Professional fees	32	6	10	9	49
Repair and maintenance expenses	39	42	44	20	32
Listing expenses	—	—	—	—	1,924
Other expenses	310	368	381	159	343
Total	<u>2,342</u>	<u>2,296</u>	<u>2,283</u>	<u>1,022</u>	<u>3,350</u>

Our administrative expenses amounted to approximately 7.9%, 8.1%, 9.7%, 8.6% and 23.7% of our total revenue for the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018 respectively.

Staff costs mainly include salaries, bonus and CPF contributions to our administrative staff and directors' remuneration. Depreciation mainly includes depreciation of our property, furniture and fittings, and office equipment. Rental expenses mainly include rental expenses for our leasehold premises at Sungei Kadut Avenue, Singapore. Professional fees mainly include expenses for legal services and consultancy services in relation to the compliance with the industry health and safety requirements. Repair and maintenance mainly include expenses to repair and maintain motor vehicles and office equipment. Other expenses mainly include printing and stationery, donation, insurance and utilities such as telephone, water and electricity bills.

Finance costs

Finance costs mainly comprise interest expenses on bank borrowings for purchase of our investment properties and finance leases for certain motor vehicles and machinery. Finance costs decreased because of the decrease in the bank borrowings.

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Fair value loss on investment properties

Fair value loss on investment properties mainly represents the fair value loss on our five investment properties measured using the fair value model under the applicable accounting standards, as disclosed in Note 2.7 of the accountant's report in Appendix I to this prospectus.

Income tax expense

Since our operation is based in Singapore, our Group is subject to corporate income tax in accordance with the tax regulations of Singapore. The statutory corporate tax rate in Singapore was 17% throughout the Track Record Period. Income tax expenses of our Group amounted to approximately S\$0.9 million, S\$0.3 million, S\$0.8 million, S\$0.4 million and S\$0.4 million for the three years ended 31 March 2018 and the six months ended 30 September 2017 and 2018 respectively. The income tax for the Track Record Period can be reconciled to the profit before tax as follows:

	Year ended 31 March			For the six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(unaudited)	
Profit before tax	4,875	3,599	5,281	2,848	495
Tax calculated at rate of 17%	829	612	898	484	84
Tax effect of:					
— expenses not deductible for tax purposes	145	—	—	—	374
— income not subject to tax	—	(189)	(72)	(41)	—
Tax incentive	(69)	(33)	(7)	(4)	(2)
Partial tax exemption	(26)	(26)	(26)	(14)	(18)
Tax rebates	(25)	(15)	(10)	(5)	—
Income tax expense	<u>854</u>	<u>349</u>	<u>783</u>	<u>420</u>	<u>438</u>

During the Track Record Period, our effective tax rates (calculated as income tax expense divided by profit before income tax) were as follows:

	For the year ended 31 March			For the six months ended 30 September	
	2016	2017	2018	2017	2018
				(unaudited)	
Effective tax rate	17.5%	9.7%	14.8%	14.7%	88.5%

Our effective tax rate for the year ended 31 March 2016 was slightly higher than that of the statutory tax rate and was mainly due to non-deductible expenses related to higher depreciation on non-qualifying assets and comparably lower capital allowance utilisation. Our effective tax rate for the two

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years ended 31 March 2017 and 2018 and the six months ended 30 September 2017 decreased to approximately 9.7%, 14.8% and 14.7%, respectively, which was primarily attributed to the non-taxable income relating to the higher capital allowance utilisation in the corresponding years/period. For the six months ended 30 September 2018, our effective tax rate was higher than the statutory tax rate, which was mainly due to non-deductible expenses arising from our listing expenses.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes that were due and we are not aware of any tax dispute or unresolved tax issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2016 compared to year ended 31 March 2017

Revenue

Our revenue decreased by approximately S\$1.1 million or approximately 3.7% from approximately S\$29.5 million for the year ended 31 March 2016 to approximately S\$28.4 million for the year ended 31 March 2017. The decrease in our revenue is a combined effect of the slight increase in revenue from gas and water pipeline projects but a decrease in revenue from cable installation projects.

The slight increase in our revenue from gas pipeline projects by approximately S\$0.1 million primarily due to (i) the increase in revenue of approximately S\$7.2 million contributed by projects commenced near the year ended 31 March 2016 or during the year ended 31 March 2017 in particular two projects for Customer A, namely project #10 and project #6, which commenced works in January 2016 and March 2016, respectively; net off by (ii) the decrease in revenue recognised from project #3 of approximately S\$6.8 million, which was mainly due to the decrease in the amount of work done and the liquidated and ascertained damages for the potential damages claim incurred for the year ended 31 March 2017 (see section headed “Business — Litigation and claims” for further details).

In addition, our revenue from water pipeline projects increased by approximately S\$0.4 million or approximately 7.8% from approximately S\$5.7 million to S\$6.1 million mainly due to (i) the increase in revenue of approximately S\$3.0 million derived from a new project for Customer C being project #14; and partially net off by (ii) the decrease in revenue generated from project #8 of approximately S\$1.8 million, due to its substantial completion in November 2017.

Our revenue from cable installation projects decreased by approximately S\$1.6 million or approximately 57.1% due mainly to the decrease in the revenue recognised for Customer D, being project #9 due to its substantial completion in November 2017.

Cost of sales

Our cost of sales increased slightly by approximately S\$0.2 million or approximately 0.9% from approximately S\$22.5 million for the year ended 31 March 2016 to approximately S\$22.7 million for the year ended 31 March 2017. The increase in our cost of sales was mainly due to (i) the increase in material costs of approximately S\$1.6 million attributable to an increase in pipe and fittings costs, which is in line with the increase of revenue from gas and water pipeline projects; (ii) the increase in labour costs of approximately S\$0.5 million due to additional staff hired to support the increase in contracted

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works; and partially set off by a decrease in (iii) the subcontractor costs of approximately S\$2.1 million as we incurred less subcontractor costs during the year ended 31 March 2017 due to a decrease in work done for the water pipeline project of project #8, where we engaged a main subcontractor for the supply and installation of metal products which we did not have the experience in that specific scope of work.

Gross profit and gross profit margin

Our gross profit decreased by approximately S\$1.3 million or 18.4% from approximately S\$7.0 million for the year ended 31 March 2016 to approximately S\$5.7 million for the year ended 31 March 2017. The decrease in our total gross profit for the year ended 31 March 2017 was mainly due to the decrease in gross profit contributed by gas pipeline projects of approximately S\$1.9 million; partially net off by the increase in water pipeline projects of approximately S\$0.6 million.

The gross profit margin decreased from approximately 23.8% for the year ended 31 March 2016 to approximately 20.1% for the year ended 31 March 2017. The decrease in gross profit margin was primarily due to:

- (i) the decrease in gross profit margin for gas pipeline projects which was mainly due to the recognition of the potential claims on liquidated and ascertained damages for project #3;
- (ii) the significant increase in gross profit margin for water pipeline projects, which was mainly attributed to the decrease in work done for project #8 that had a low margin of 0.6% due to the high subcontractor costs involved; and
- (iii) the increase in gross profit margin for cable installation projects which was mainly attributed to a new project for the telecommunication industry commenced in the middle of the year ended 31 March 2017, of which our Group was able to secure at a relatively higher profit margin.

Other income

Our other income increased by approximately S\$0.2 million or 59.5% from approximately S\$0.4 million for the year ended 31 March 2016 to approximately S\$0.7 million for the year ended 31 March 2017. The increase was mainly due to (i) the increase in rental income from our investment properties of approximately S\$70,000; (ii) the higher government grants of approximately S\$73,000; and (iii) the increase in insurance claims of approximately S\$0.1 million relating to work injury compensation policies.

Other gains/(losses)

We recorded other net gains of approximately S\$27,000 for the year ended 31 March 2016, while other net losses of approximately S\$0.1 million for the year ended 31 March 2017. The decrease was mainly due to the write off of property, plant and equipment of approximately S\$0.1 million in the year ended 31 March 2017.

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Administrative expenses

Our administrative expenses were relatively stable at approximately S\$2.3 million for the two years ended 31 March 2017.

Finance costs

Our finance costs decreased by approximately S\$30,000 or 24.4% from approximately S\$123,000 for the year ended 31 March 2016 to approximately S\$93,000 for the year ended 31 March 2017 mainly due to the decrease in our bank borrowings.

Fair value loss on investment properties

Our fair value loss on investment properties increased by approximately S\$140,000 from approximately S\$110,000 for the year ended 31 March 2016 to approximately S\$250,000 for the year ended 31 March 2017, mainly due to the decrease in fair value of the investment properties as per valuation assessment by an independent property valuer.

Income tax expense

Our income tax expense decreased by approximately S\$0.5 million from approximately S\$0.9 million for the year ended 31 March 2016 to approximately S\$0.3 million for the year ended 31 March 2017. This is in line with the decrease in the profit before tax for the year ended 31 March 2017 mainly due to the decrease in revenue attributable to the liquidated and ascertained damages as discussed above.

Profit for the year

Our profit for the year decreased by approximately S\$0.8 million or 19.2% from approximately S\$4.0 million for the year ended 31 March 2016 to approximately S\$3.3 million for the year ended 31 March 2017. Such a decrease was primarily due to the decrease in revenue attributable to the liquidated and ascertained damages as discussed above.

Year ended 31 March 2017 compared to year ended 31 March 2018

Revenue

Our revenue decreased by approximately S\$5.0 million or 17.6% from approximately S\$28.4 million for the year ended 31 March 2017 to approximately S\$23.4 million for the year ended 31 March 2018. The decrease in revenue was mainly because of (i) the decrease of approximately S\$9.4 million of revenue attributable to our gas pipeline projects as we had substantially completed three gas pipeline projects for Customer A (being project #3, project #5 and project #6) in the year ended 31 March 2018; and partially offset by (ii) the increase in revenue for water pipeline projects of approximately S\$4.0 million in relation to project #14.

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Cost of sales

Despite a decrease in our total revenue, our cost of sales decreased more than in proportionate, by approximately S\$6.7 million or approximately 29.4% from approximately S\$22.7 million for the year ended 31 March 2017 to approximately S\$16.0 million for the year ended 31 March 2018. The decrease in our cost of sales was mainly due to the following factors:

- (i) the decrease in material costs of approximately S\$2.8 million or approximately 40.8% as the projects that recognised more progress claims during the year ended 31 March 2018 required lesser purchase of materials. During the year ended 31 March 2018, two gas pipeline term contracts, with a total revenue contribution of approximately S\$3.0 million (projects #11 and #12) were emergency services in nature and lesser purchase of pipes and fittings was needed. Further, a water pipeline project, namely project #14, was located along a reclaimed land and thus a cost saving in materials purchase could be achieved through the recycling of backfilling materials;
- (ii) the decrease in subcontractor costs of approximately S\$2.9 million was mainly due to the substantial completion of project #8 in November 2017 as this project incurred significant subcontractor costs due to the nature of the work scope; and
- (iii) the decrease in overheads of approximately S\$1.1 million which was mainly due to the decrease in revenue during the year.

Gross profit and gross profit margin

Our gross profit increased by approximately S\$1.7 million or 29.4% from approximately S\$5.7 million for the year ended 31 March 2017 to approximately S\$7.4 million for the year ended 31 March 2018. The overall increase was mainly attributable to the increase in gross profit of the water pipeline projects of approximately S\$1.6 million, which was in line with the significant increase in revenue from water pipeline projects.

Our gross profit margin increased from approximately 20.1% for the year ended 31 March 2017 to approximately 31.6% for the year ended 31 March 2018. The significant increase in gross profit margin was primarily attributable to:

- (i) the increase in gross profit margin for gas pipeline projects which was mainly due to the recognition of the potential claims on liquidated and ascertained damages for project #3 in the year ended 31 March 2017, leading to a significantly lower gross profit margin in the preceding year;
- (ii) the significant increase in gross profit margin for the water pipeline projects which was mainly attributed to (a) the decrease in work done during the year and the substantial completion in November 2017 for project #8 which had a low gross profit margin of approximately 0.6% due to the high subcontractor costs involved; and (b) a significant amount of work progress claims recognised for project #14, which had a relatively high budgeted gross profit margin of approximately 33.0% contributed by the lower level of raw materials purchased and less transportation costs involved for the contracted scope of works; and

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- (iii) the increase in gross profit margin for the cable installation projects which was mainly attributed to the full year gross profit contribution from the higher profit margin project for the telecommunication industry which commenced work in the middle of the year ended 31 March 2017.

Other income

Our other income decreased by approximately S\$0.2 million or 24.7% from approximately S\$0.7 million for the year ended 31 March 2017 to approximately S\$0.5 million for the year ended 31 March 2018. The decrease was mainly due to (i) the decrease in rental income from investment properties of approximately S\$22,000; (ii) the decrease in insurance claims of approximately S\$0.1 million relating to work injury compensation policies; and (iii) the decrease of other sundry income of approximately S\$46,000.

Other gains/(losses)

Our other net losses increased by approximately S\$81,000 during the year ended 31 March 2018, which was mainly due to the write off of property, plant and equipment.

Administrative expenses

Our administrative expenses remained relatively stable at approximately S\$2.3 million for the two years ended 31 March 2018.

Finance costs

Our finance costs decreased by approximately S\$57,000 or 61.3% from approximately S\$93,000 for the year ended 31 March 2017 to approximately S\$36,000 for the year ended 31 March 2018 mainly due to the substantial completion of repayments to our finance lease liabilities in the first half of the year ended 31 March 2018, which resulted in less finance costs.

Fair value loss on investment properties

Our fair value loss on investment properties decreased by approximately S\$175,000 from approximately S\$250,000 for the year ended 31 March 2017 to approximately S\$75,000 for the year ended 31 March 2018 due to the decrease in the fair value of the investment properties as per valuation assessment by an independent property valuer.

Income tax expense

Our income tax expense increased by approximately S\$0.4 million from approximately S\$0.3 million for the year ended 31 March 2017 to approximately S\$0.8 million for the year ended 31 March 2018. The increase was mainly due to the increase in gross profit as discussed above.

Profit for the year

Our profit for the year increased by approximately S\$1.2 million or 38.4% from approximately S\$3.3 million for the year ended 31 March 2017 to approximately S\$4.5 million for the year ended 31 March 2018. Such increase was primarily due to the increase in the gross profit as discussed above.

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Six months ended 30 September 2017 compared to six months ended 30 September 2018

Revenue

Our revenue increased by approximately S\$2.2 million or approximately 18.8% from approximately S\$11.9 million for the six months ended 30 September 2017 to approximately S\$14.1 million for the six months ended 30 September 2018. The increase in revenue was mainly attributable to (i) approximately S\$4.2 million of revenue contributed by three new water pipeline projects which commenced near the year ended 31 March 2018; (ii) approximately S\$4.9 million of revenue in aggregate contributed by two new cable installation projects for the power industry and solar panels respectively in the six months ended 30 September 2018; and partially offset by (iii) the decrease of approximately S\$5.2 million of revenue from our gas pipeline projects, which was primarily attributed to four gas pipeline projects that have substantially completed during the year ended 31 March 2018; and (iv) the decrease of approximately S\$1.6 million of revenue due to less revenue recognised during the six months ended 30 September 2018 as compared to that of 2017 from one water pipeline of project #4.

Cost of sales

Our cost of sales increased by approximately S\$2.2 million or approximately 27.3% from approximately S\$8.3 million for the six months ended 30 September 2017 to approximately S\$10.5 million for the six months ended 30 September 2018. The increase in our cost of sales was mainly due to (i) the increase in material costs of approximately S\$1.4 million or approximately 64.1% as we had purchased more pipes for water pipeline projects and more cable for solar panel project, which is in line with the increase in revenue during the period; (ii) the increase in labour costs of approximately S\$0.4 million which was mainly due to additional staff hired to support the increase in contract works; and (iii) the increase in overheads of approximately S\$0.4 million which is in line with the increase in revenue during the period.

Gross profit and gross profit margin

Our gross profit remained stable at approximately S\$3.7 million for the six months ended 30 September 2017 and approximately S\$3.6 million for the six months ended 30 September 2018.

Our gross profit margin was approximately 30.7% and 25.7% for the six months ended 30 September 2017 and 2018, respectively.

The decrease in gross profit margin was primarily attributable to the decrease in gross profit margin for water pipeline projects which accounted for the majority of gross profit for the six months ended 30 September 2018, due to the combined effect of (i) the decrease in work done for project #12 in the six months period ended 30 September 2018 as compared to that of 2017, which had a high gross profit margin; (ii) one newly commenced water pipeline term contract, namely project #16 had a relatively low budgeted gross profit margin as we submitted a competitive tender price to secure this project so as to expand our project portfolio to include more water pipeline projects that we had less frequently undertaken in the past; and (iii) the higher proportionate contribution by cable installation projects in the six months ended 30 September 2018 as compared to that of 2017, which generally have a lower gross profit margin as discussed above.

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Other income

Our other income increased by approximately S\$26,000 or 11.2% from approximately S\$233,000 for the six months ended 30 September 2017 to approximately S\$259,000 for the six months ended 30 September 2018. The increase was mainly due to the incentive award received from Customer A of S\$100,000 in July 2018.

Other gains/(losses)

Our other net losses increased by approximately S\$52,000 from other gains of approximately S\$16,000 in the six months ended 30 September 2017 to other losses of approximately S\$36,000 in the six months ended 30 September 2018 due to (i) the loss on disposal from machinery and motor vehicles of approximately S\$16,000; and (ii) the write off of property, plant and equipment of approximately S\$11,000 for the six months ended 30 September 2018.

Administrative expenses

Our administrative expenses increased by approximately S\$2.3 million or 227.8% from approximately S\$1.0 million for the six months ended 30 September 2017 to approximately S\$3.4 million for the six months ended 30 September 2018 due mainly to (i) the listing expenses incurred in the six months ended 30 September 2018 for the preparation of Listing of approximately S\$1.9 million; and (ii) the increase in staff costs of approximately S\$0.6 million.

Finance costs

Our finance costs decreased by approximately S\$17,000 or 50.0% from approximately S\$34,000 for the six months ended 30 September 2017 to approximately S\$17,000 for the six months ended 30 September 2018 mainly due to the decrease in bank borrowings during the six months ended 30 September 2018 as compared to that of 2017.

Income tax expense

Our income tax expense increased by approximately S\$18,000 from approximately S\$420,000 for the six months ended 30 September 2017 to approximately S\$438,000 for the six months ended 30 September 2018, the increase is mainly due to the increase in administrative expenses attributable to listing expenses that are non-deductible.

Profit for the period

Our profit for the period decreased by approximately S\$2.4 million or 97.7% from approximately S\$2.4 million for the six months ended 30 September 2017 to approximately S\$57,000 for the six months ended 30 September 2018. Such decrease was primarily due to the increase in administrative expenses mainly attributable to the listing expenses of approximately S\$1.9 million incurred during the six months ended 30 September 2018.

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ASSETS AND LIABILITIES

The table below sets out our assets and liabilities as at 31 March 2016, 2017 and 2018 and 30 September 2018:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	10,768	9,826	8,348	9,699
Intangible assets	—	—	—	96
Investment properties	3,800	3,550	3,475	1,020
Contract assets	<u>448</u>	<u>—</u>	<u>31</u>	<u>—</u>
	<u>15,016</u>	<u>13,376</u>	<u>11,854</u>	<u>10,815</u>
Current assets				
Trade and other receivables	4,594	3,998	4,835	3,894
Contract assets	6,184	5,410	6,183	9,566
Inventories	—	—	205	—
Cash and cash equivalents	3,951	5,570	6,153	3,499
Fixed deposit	<u>—</u>	<u>—</u>	<u>—</u>	<u>100</u>
	<u>14,729</u>	<u>14,978</u>	<u>17,376</u>	<u>17,059</u>
Total assets	<u><u>29,745</u></u>	<u><u>28,354</u></u>	<u><u>29,230</u></u>	<u><u>27,874</u></u>

FINANCIAL INFORMATION

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
EQUITY AND LIABILITIES				
Equity				
Combined capital	1,500	1,500	1,500	1,500
Retained profits	<u>12,976</u>	<u>16,226</u>	<u>14,724</u>	<u>14,781</u>
	<u>14,476</u>	<u>17,726</u>	<u>16,224</u>	<u>16,281</u>
Current liabilities				
Trade, other payables and accruals	5,252	3,793	2,275	4,116
Contract liabilities	2,271	1,828	1,168	3,941
Amounts due to directors	1,558	975	753	—
Finance lease liabilities	2,175	1,334	26	739
Bank borrowings	131	95	98	99
Dividends payable	—	—	6,000	—
Current income tax liabilities	<u>943</u>	<u>1,155</u>	<u>1,389</u>	<u>803</u>
	<u>12,330</u>	<u>9,180</u>	<u>11,709</u>	<u>9,698</u>
Non-current liabilities				
Deferred income tax	957	829	802	892
Finance lease liabilities	1,294	26	—	558
Bank borrowings	<u>688</u>	<u>593</u>	<u>495</u>	<u>445</u>
	<u>2,939</u>	<u>1,448</u>	<u>1,297</u>	<u>1,895</u>
Total liabilities	<u>15,269</u>	<u>10,628</u>	<u>13,006</u>	<u>11,593</u>
Total equity and liabilities	<u>29,745</u>	<u>28,354</u>	<u>29,230</u>	<u>27,874</u>

FINANCIAL INFORMATION

DISCUSSION ON SELECTED BALANCE SHEET ITEMS

Intangible assets

We had intangible assets of approximately S\$0.1 million as at 30 September 2018, which primarily representing computer software, acquired for safety inspection purpose in the six months ended 30 September 2018.

Investment properties and assets held-for-sale

Our investment properties amounted to approximately S\$3.8 million, S\$3.6 million, S\$3.5 million and S\$1.0 million as at 31 March 2016, 2017 and 2018 and 30 September 2018. We had disposed four investment properties, in July 2018 with an aggregate amount of approximately S\$2.5 million.

Trade and other receivables

Our trade and other receivables as at 31 March 2016, 2017 and 2018 and 30 September 2018 were approximately S\$4.6 million, S\$4.0 million, S\$4.8 million and S\$3.9 million respectively, of which a breakdown is set out below:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables				
— Third parties	4,275	3,645	3,141	2,861
Prepayments, deposits and other receivables				
Deposits	105	132	118	136
Prepayments	182	213	1,555	187
Prepayment for listing expenses	—	—	—	24
Deferred listing expenses	—	—	—	587
Other receivables	<u>32</u>	<u>8</u>	<u>21</u>	<u>99</u>
Total trade and other receivables	<u>4,594</u>	<u>3,998</u>	<u>4,835</u>	<u>3,894</u>

The carrying amounts of our Group's trade and other receivables are denominated in Singapore dollars.

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Trade receivables — third parties

Our trade receivables from third parties as at 31 March 2016, 2017 and 2018 and 30 September 2018 were approximately S\$4.3 million, S\$3.6 million, S\$3.1 million and S\$2.9 million, respectively.

Our trade receivables from third parties decreased by approximately S\$0.6 million from approximately S\$4.3 million as at 31 March 2016 to approximately S\$3.6 million as at 31 March 2017, and further decreased to approximately S\$3.1 million as at 31 March 2018 and approximately S\$2.9 million as at 30 September 2018, which was mainly due to the decrease in our revenue. As at 31 March 2018 and 30 September 2018, an amount of approximately S\$1.0 million and S\$1.6 million, respectively, was included in our trade receivables from third parties, which was related to the certified progress claims on project #3. Such receivables remained unsettled as at the Latest Practicable Date as the progress claim billed to Customer A for project #3 have been withheld since September 2017, being when our Group was served with a notice in relation to the potential liquidated and ascertained damages after the expiry of extended scheduled completion date of project #3, and also resulted in the outstanding trade receivables with ageing over 90 days as at 31 March 2018 and 30 September 2018. Please refer to the section headed “Business — Litigation and claims — Litigation” for further details on the potential liquidated and ascertained damages claims in relation to project #3. Nonetheless, given that all agreed contractual sum has been certified and the completion certificate for project #3 has been obtained in September 2018, and we are still maintaining a good relationship with Customer A, our Executive Directors are of the view that they do not foresee any difficulties in recovering the outstanding trade receivables (especially those relating to project #3) due from Customer A as soon as after a decision is made relating the aforesaid incident.

Our Group normally grants credit terms to its customers ranging from 30 to 45 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
1 to 30 days	4,096	3,586	1,459	505
31 to 60 days	85	—	655	2
61 to 90 days	—	32	102	9
Over 90 days	93	12	—	—
Over 120 days	<u>1</u>	<u>15</u>	<u>925</u>	<u>2,345</u>
	<u>4,275</u>	<u>3,645</u>	<u>3,141</u>	<u>2,861</u>

Up to the Latest Practicable Date, approximately 43.5% (or approximately S\$1.2 million) of our trade receivables as at 30 September 2018 had been subsequently settled.

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Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September
	2016	2017	2018	2018
Trade receivables turnover days	39	51	53	39

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables from third parties divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 183 days for the six months ended 30 September 2018).

The credit period that we granted to customers generally ranged from 30 to 45 days. Our trade receivables turnover days were approximately 39 days, 51 days, 53 days and 39 days for the year ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2018 respectively. The fluctuations were mainly due to trade receivables from Customer A as at the respective reporting dates, especially the amount of approximately S\$0.9 million and S\$1.6 million that were past due but not impaired for over 90 days as at 31 March 2018 and 30 September 2018. The increase in our trade receivables turnover days from approximately 39 days to approximately 51 days as at 31 March 2017 was mainly due to (i) the recognition of approximately S\$2.8 million potential claim on liquidated and ascertained damages, which lowered the revenue and thus resulted in a higher turnover day; and (ii) certain projects managed to receive progress certificate and issued billing before the year ended 31 March 2017. Our trade receivables turnover days remained relatively stable at approximately 53 days as at 31 March 2018, and decreased to approximately 39 days as at 30 September 2018, which is in line with the credit period, except for the unsettled trade receivables in relation to project #3 as discussed in the section headed “Business — Litigation and claims — Litigation” on the potential liquidated and ascertained damages claims.

We review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for the irrecoverable amounts. For our credit risk management, please refer to the section headed “Business — Risk management and internal control systems — Credit management” in this prospectus.

As at 31 March 2016, 2017 and 2018 and 30 September 2018, none of our trade receivables were impaired. Trade receivables that were past due but not impaired mainly related to project #3 with Customer A, which has a good track record with our Group. Our Directors believe that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. Furthermore, in order to strengthen our credit management, our Group has established a relevant policy to consider the credit worthiness of our customers, including financial status, reputation, etc.

FINANCIAL INFORMATION

Prepayments, deposits and other receivables

Our deposits with external parties mainly include security deposits on leased properties used for site office and storage, water and electricity deposits, and miscellaneous one-off deposits such as deposit for software purchase. The balances remained relatively stable as at 31 March 2016, 2017 and 2018 and 30 September 2018.

Our prepayments, representing prepayments for insurance, property tax, listing expenses, road tax renewal and subscription, were approximately S\$0.3 million, S\$0.4 million, S\$1.7 million and S\$0.9 million, as at 31 March 2016, 2017 and 2018 and 30 September 2018, respectively. The significant balance as at 31 March 2018 was mainly due to the advance payments to a supplier for the purchase of solar panels for the new installation of solar panels project which was awarded during the year ended 31 March 2018, which was subsequently utilised during the six months ended 30 September 2018. The balance as at 30 September 2018 was mainly attributable to (i) the prepayment for insurance amounted to approximately S\$140,000; (ii) the prepayments for listing expenses and deferral expenses of approximately S\$0.6 million; and (iii) goods and services tax receivables amounted to approximately S\$99,000.

Contract assets/liabilities

The contract assets primarily relate to our Group's right to consideration for work completed and not billed, as the rights are conditioned on our Group's future performance in satisfying the respective performance obligations at each reporting date. The contract liabilities primarily relate to our Group's obligation to render services to customers for which our Group has received consideration from the customers.

The following table sets out the contract assets and liabilities:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	77,353	105,761	129,181	143,322
Less: progress billings	<u>(72,992)</u>	<u>(102,179)</u>	<u>(124,135)</u>	<u>(137,697)</u>
Balance at end of year/period	<u>4,361</u>	<u>3,582</u>	<u>5,046</u>	<u>5,625</u>
Analysed for reporting purposes as:				
Non-current				
Contract assets	<u>448</u>	<u>—</u>	<u>31</u>	<u>—</u>

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	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Current				
Contract assets	6,184	5,410	6,183	9,566
Contract liabilities	<u>(2,271)</u>	<u>(1,828)</u>	<u>(1,168)</u>	<u>(3,941)</u>
	<u>3,913</u>	<u>3,582</u>	<u>5,015</u>	<u>5,625</u>
	<u>4,361</u>	<u>3,582</u>	<u>5,046</u>	<u>5,625</u>

Movements in contract liabilities:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
At the beginning of the year/period	358	2,271	1,828	1,168
Billing to/receipt from customers	21,484	12,497	3,251	6,362
Revenue recognised upon the provision of project works	<u>(19,571)</u>	<u>(12,940)</u>	<u>(3,911)</u>	<u>(3,589)</u>
	<u>2,271</u>	<u>1,828</u>	<u>1,168</u>	<u>3,941</u>

Up to the Latest Practicable Date, approximately 32.2% (or approximately S\$3.1 million) of our contract assets as at 30 September 2018 had been billed, of which approximately S\$2.7 million has been settled. The amount of contract assets which remained unbilled as at the Latest Practicable Date mainly attributed to (i) four projects were currently in the process of progress claims, which in aggregate represented approximately 23.6% (or approximately S\$1.5 million) of our contract assets as at 30 September 2018; and (ii) three projects, being project #17, #18 and #19, which commenced after May 2018, had not been certified as at the Latest Practicable Date, which in aggregate represented approximately 59.7% (or approximately S\$3.9 million) of our contract assets as at 30 September 2018.

Retention receivables

A portion of the contract value, normally 5% is withheld as retention money, of which half of it will be released upon substantial completion and the remaining to be released upon final completion (which is after the defect liability period, usually between 12 months to 24 months from the date of substantial completion). Our retention receivables remained stable at approximately S\$0.4 million as at 31 March 2016, 2017 and 2018 and increased to approximately S\$0.7 million as at 30 September 2018 due to the increase in retention receivables for project #10 and project #13. Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of the individual contract. Our Group considered that the expected credit losses for contract assets are negligible as the customers of our Group are reputable organisations.

FINANCIAL INFORMATION

Trade, other payables and accruals

The following table sets out a breakdown of our trade, other and accruals payables as at the dates indicated:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables				
— Third parties	4,031	2,892	1,773	2,300
Other payables				
— Goods and services tax payables	166	385	209	—
— Advances received from customers	19	26	26	6
— Sundry creditors	25	11	14	391
Accruals	1,011	479	253	834
Accruals for listing expenses	—	—	—	585
Total	5,252	3,793	2,275	4,116

Trade payables

Our trade payables mainly comprised payables to suppliers and subcontractors in relation to our projects. Our trade payables decreased by approximately S\$1.1 million from approximately S\$4.0 million as at 31 March 2016 to approximately S\$2.9 million as at 31 March 2017 and further decreased to approximately S\$1.8 million as at 31 March 2018. The decrease was consistent with the decrease in our cost of sales. Our trade payables increased to approximately S\$2.3 million as at 30 September 2018 mainly due to more costs incurred for cable installation projects towards the end of 30 September 2018 than that of 2017.

The carrying amounts of our Group's trade payables are denominated in Singapore dollars. The ageing analysis of trade payables based on invoices as at the respective reporting dates is as follows:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
0 to 30 days	2,691	1,112	957	1,889
31 to 60 days	738	804	344	239
61 to 90 days	496	507	317	42
Over 90 days	106	469	155	130
	4,031	2,892	1,773	2,300

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Up to the Latest Practicable Date, approximately 94.8% (or approximately S\$2.2 million) of our trade payables as at 30 September 2018 had been settled.

We are usually offered by suppliers and subcontractors a standard credit period ranged between 30 to 60 days. The following table sets forth our trade payables turnover days during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September
	2016	2017	2018	2018
Trade payables turnover days	49	56	53	35

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 183 days for the six months ended 30 September 2018).

Our trade payable turnover days increased from approximately 49 days as at 31 March 2016 to approximately 56 days as at 31 March 2017, and was primarily attributed to the increase in trade payable to a Malaysian supplier for the purchase of RC jacking pipes, which usually took relatively longer period to settle, as our Group's policy is to process the settlement of the trade payables upon receipt of the respective invoices and that it took a relatively longer period for our Group to receive the invoices from the Malaysian supplier due to the longer transit period. Our trade payable turnover days remained relatively stable at approximately 53 days as at 31 March 2018, which was a combined effect of the decrease in the trade payable to the Malaysian supplier, offset by the increase in trade payable to a supplier outstanding as at the respective year as we made bulk purchase of carbon steel pipes during the year ended 31 March 2018. The significant drop in our trade payable turnover days to approximately 35 days as at 30 September 2018 was mainly due to the higher annualised cost of sales recorded for the six months ended 30 September 2018 as compared to the low actual cost of sales incurred during the year ended 31 March 2018. Our trade payables turnover days during the Track Record Period were longer than the payment terms as stipulated under the BCISPA. For further details of the BCISPA, please refer to the section headed "Regulatory overview" in this prospectus. During the Track Record Period, there were no material disputes between our Group and our suppliers and subcontractors and we did not experience any significant financial difficulties in settling our trade payables.

Other payables and accruals

Our other payables and accruals amounted to approximately S\$1.2 million, S\$0.9 million, S\$0.5 million and S\$1.8 million as at 31 March 2016, 2017 and 2018 and 30 September 2018, respectively, which mainly comprised (i) goods and services tax payables; (ii) accruals; (iii) advances received from customers; and (iv) sundry creditors. The fluctuation was mainly due to the changes in the accruals.

Our accruals amounted to approximately S\$1.0 million, S\$0.5 million, S\$0.3 million and S\$1.4 million as at 31 March 2016, 2017 and 2018 and 30 September 2018 respectively. Our accruals mainly refer to (i) the cost of sales relating to our projects which had been recognised but for which we had not yet received invoices from our suppliers and subcontractors as at the respective year/period end; (ii) the

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provision for bonus; and (iii) the accruals for listing expenses. The decrease in our accruals as at 31 March 2016, 2017 and 2018 was primarily due to the decrease in accruals for cost of sales, while the increase in our accruals as at 30 September 2018 was mainly attributable to the provision of bonus and listing expenses based on the percentage of completion by professional firms services rendered.

The increase in sundry creditors as at 30 September 2018 was mainly due to purchase of machinery.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we did not enter into any related party transactions. Please refer to Note 29 to the accountant's report set out in Appendix I to this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Our source of funds for our operations mainly comes from cash generated from our operation and bank borrowings. Our primary uses of cash are for payment to suppliers, subcontractors and working capital needs. Upon Listing, our source of funds will be a combination of internal generated funds, bank borrowings and net proceeds from the Share Offer.

As at 31 January 2019, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and cash equivalents of approximately S\$0.7 million.

Cash flows

The following table is a condensed summary of our combined statements of cash flows for the year/period indicated:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(unaudited)	
Net cash generated from operating activities	<u>7,071</u>	<u>5,555</u>	<u>2,829</u>	<u>2,446</u>	<u>3,145</u>
Net cash generated from (used in) investing activities	<u>(1,387)</u>	<u>(919)</u>	<u>(559)</u>	<u>(368)</u>	<u>1,850</u>
Net cash used in financing activities	<u>(2,243)</u>	<u>(3,017)</u>	<u>(1,687)</u>	<u>(1,074)</u>	<u>(7,649)</u>
Net increase/(decrease) in cash and cash equivalents	3,441	1,619	583	1,004	(2,654)
Cash and cash equivalents at beginning of the year/period	<u>510</u>	<u>3,951</u>	<u>5,570</u>	<u>5,570</u>	<u>6,153</u>
Cash and cash equivalents at end of the year/period	<u>3,951</u>	<u>5,570</u>	<u>6,153</u>	<u>6,574</u>	<u>3,499</u>

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Operating activities

Our operating cash inflow is primarily derived from our business operation of providing (i) gas pipeline projects; (ii) water pipeline projects; and (iii) cable installation projects whereas our operating cash outflow mainly includes payments for subcontractor costs, staff costs, purchase of materials, as well as other working capital needs.

During the Track Record Period, the differences between our profit before tax and our net cash from operating activities were mainly due to the differences between amount and timing of receipts from our customers and the amount and timing of payments to our suppliers and subcontractors.

For the year ended 31 March 2016, our net cash generated from operating activities of approximately S\$7.1 million was primarily a combined result of operating cash inflow before movements in working capital of approximately S\$6.9 million, and change in working capital of approximately S\$0.2 million. Operating cash inflow before movements in working capital mainly represented profit before tax of approximately S\$4.9 million, adjusted by an aggregated net amount of S\$2.0 million on items which mainly includes depreciation, fair value loss on investment properties, finance income and finance costs, gains/losses on disposal of property, plant and equipment. Movements in working capital mainly reflected the increase in trade, other payables and accruals of approximately S\$3.0 million and the decrease in inventories of approximately S\$0.2 million, partially offset by the increase in trade and other receivables of approximately S\$2.4 million and increase in contracts assets and decrease in contract liabilities of approximately S\$0.5 million in aggregate.

For the year ended 31 March 2017, our net cash generated from operating activities of approximately S\$5.6 million was a combined result of operating cash inflow before movements in working capital of approximately S\$5.9 million, change in working capital of approximately S\$84,000 and income tax paid of approximately S\$0.3 million. Operating cash inflow before movements in working capital mainly represented profit before tax of approximately S\$3.6 million, adjusted by an aggregated net amount of S\$2.3 million on items which mainly includes depreciation, fair value loss on investment properties, write-off of property, plant and equipment, and finance costs. Movements in working capital mainly reflected the decrease in trade, other payables and accruals of approximately S\$1.5 million due to decrease in cost of sales, partially offset by the decrease in trade and other receivables of approximately S\$0.6 million, and the decrease in contracts assets and increase in contract liabilities of approximately S\$0.8 million in aggregate.

For the year ended 31 March 2018, our net cash generated from operating activities of approximately S\$2.8 million was a combined result of operating cash inflow before movements in working capital of approximately S\$7.4 million, change in working capital of approximately S\$4.0 million and income tax paid of approximately S\$0.6 million. Operating cash inflow before movements in working capital mainly represented profit before tax of approximately S\$5.3 million, adjusted by an aggregated net amount of S\$2.1 million on items which mainly includes depreciation, fair value loss on investment properties, finance income and finance costs, gains/losses on disposal of property, plant and equipment. Movements in working capital mainly reflected the decrease in trade, other payables and accruals of approximately S\$1.5 million due to decrease in cost of sales and the increase in inventories of approximately S\$0.2 million, the increase in trade and other receivables of approximately S\$0.8 million and increase in contracts assets and decrease in contract liabilities of approximately S\$1.5 million in aggregate.

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For the six months ended 30 September 2017, our net cash generated from operating activities of approximately S\$2.4 million was a combined result of operating cash inflow before movements in working capital of approximately S\$3.8 million, and change in working capital of approximately S\$0.8 million and income tax paid of approximately S\$0.6 million. Operating cash inflow before movements in working capital mainly represented profit before tax of approximately S\$2.8 million, adjusted by an aggregated net amount of approximately S\$1.0 million on items which mainly includes depreciation, interest income and finance costs, gains/losses on disposal of property, plant and equipment. Movements in working capital mainly reflected the decrease in trade, other payables and accruals of approximately S\$1.5 million, the decrease in trade and other receivables of approximately S\$0.1 million and partially offset by the decrease in contract assets and increase in contract liabilities of approximately S\$0.7 million in aggregate.

For the six months ended 30 September 2018, our net cash generated from operating activities of approximately S\$3.1 million was a combined result of operating cash inflow before movements in working capital of approximately S\$1.5 million, change in working capital of approximately S\$2.6 million and income tax paid of approximately S\$0.9 million. Operating cash inflow before movements in working capital mainly represented profit before tax of approximately S\$0.5 million, adjusted by an aggregated net amount of approximately S\$1.0 million on items which mainly includes depreciation and amortisation, finance costs and gains/losses on disposal of property, plant and equipment. Movements in working capital mainly reflected the increase in trade, other payables and accruals of approximately S\$1.5 million, decrease in inventory of approximately S\$0.2 million and the decrease in trade and other receivables of approximately S\$1.5 million, partially offset by the increase in contract assets and decrease in contract liabilities of approximately S\$0.6 million in aggregate.

Investing activities

Our cash used in investing activities are primarily for the purchase of property, plant and equipment, proceeds from disposal of property, plant and equipment, proceeds from disposal of investment properties, and purchase of intangible assets.

For the year ended 31 March 2016, our net cash used in investing activities mainly represented purchases of property, plant and equipment of approximately S\$1.4 million, and partially net off by the proceeds from disposal of property, plant and equipment of approximately S\$48,000.

For the year ended 31 March 2017, our net cash used in investing activities mainly represented purchases of property, plant and equipment of approximately S\$1.0 million, and partially net off by the proceeds from disposal of property, plant and equipment of approximately S\$30,000.

For the year ended 31 March 2018, our net cash used in investing activities mainly represented purchases of property, plant and equipment of approximately S\$0.6 million, and partially net off by the proceeds from disposal of property, plant and equipment of approximately S\$12,000.

For the six months ended 30 September 2017, our net cash used in investing activities mainly represented purchases of property, plant and equipment of approximately S\$0.4 million, and partially net off by the proceeds from disposal of property, plant and equipment of approximately S\$12,000.

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For the six months ended 30 September 2018, our net cash generated from investing activities mainly represented by the proceeds from disposal of investment properties of approximately S\$2.5 million and the proceeds from disposal of plant and equipment of approximately S\$78,000, partially net off by the purchases of property, plant and equipment of approximately S\$0.5 million, the purchase of intangible assets of approximately S\$0.1 million and addition in fixed deposit of approximately S\$0.1 million.

Financing activities

Our net cash used in financing activities mainly included (i) repayment of bank borrowings; (ii) repayment of finance lease liabilities; (iii) advances from directors; and (iv) dividends payment.

For the year ended 31 March 2016, our net cash used in financing activities mainly included (i) repayment of finance lease liabilities of approximately S\$1.6 million; (ii) repayments of bank borrowings of approximately S\$0.5 million; and (iii) repayment to directors of approximately S\$69,000.

For the year ended 31 March 2017, our net cash used in financing activities mainly included (i) repayment of finance lease liabilities of approximately S\$2.2 million; (ii) repayments of bank borrowings of approximately S\$0.1 million; and (iii) repayment to directors of approximately S\$0.6 million.

For the year ended 31 March 2018, our net cash used in financing activities mainly included (i) repayment liabilities of finance lease of approximately S\$1.3 million; (ii) repayments of bank borrowings of approximately S\$95,000; and (iii) repayment to directors of approximately S\$0.2 million.

For the six months ended 30 September 2017, our net cash used in financing activities mainly included (i) repayment of finance lease liabilities of approximately S\$0.8 million; (ii) repayments of bank borrowings of approximately S\$48,000; and (iii) repayment to directors of approximately S\$0.2 million.

For the six months ended 30 September 2018, our net cash used in financing activities mainly included (i) repayment of finance lease liabilities of approximately S\$0.2 million; (ii) repayments of bank borrowings of approximately S\$49,000; (iii) repayment to directors of approximately S\$0.8 million; (iv) dividend payment of approximately S\$6.0 million; and (v) deferred listing expenses of approximately S\$0.6 million.

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Net current assets

The following table sets forth a breakdown of our Group's current assets and liabilities as at 31 March 2016, 2017 and 2018, 30 September 2018 and 31 January 2019:

	As at 31 March			As at 30 September	As at 31 January
	2016	2017	2018	2018	2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
					(unaudited)
Current assets					
Trade and other receivables	4,594	3,998	4,835	3,894	6,225
Contract assets	6,184	5,410	6,183	9,566	14,021
Inventories	—	—	205	—	—
Cash and cash equivalents	3,951	5,570	6,153	3,499	577
Fixed deposit	—	—	—	100	100
	<u>14,729</u>	<u>14,978</u>	<u>17,376</u>	<u>17,059</u>	<u>20,923</u>
Current liabilities					
Trade, other payables and accruals	5,252	3,793	2,275	4,116	3,657
Contract liabilities	2,271	1,828	1,168	3,941	4,825
Amounts due to directors	1,558	975	753	—	2,000
Finance lease liabilities	2,175	1,334	26	739	1,109
Bank borrowings	131	95	98	99	99
Dividends payable	—	—	6,000	—	—
Current income tax liabilities	<u>943</u>	<u>1,155</u>	<u>1,389</u>	<u>803</u>	<u>524</u>
	<u>12,330</u>	<u>9,180</u>	<u>11,709</u>	<u>9,698</u>	<u>12,214</u>
Net current assets	<u>2,399</u>	<u>5,798</u>	<u>5,667</u>	<u>7,361</u>	<u>8,709</u>

Our net current assets increased from approximately S\$2.4 million as at 31 March 2016 to approximately S\$5.8 million as at 31 March 2017 primarily due to the combined effects of (i) the decrease in contract liabilities of approximately S\$0.4 million; (ii) the decrease in the amounts due to directors of approximately S\$0.6 million; (iii) the decrease in finance lease liabilities of approximately S\$0.8 million; and (iv) the decrease in trade, other payables and accruals of approximately S\$1.5 million.

Our net current assets remained relatively stable at approximately S\$5.8 million as at 31 March 2017 and S\$5.7 million as at 31 March 2018. The slight decrease in our net current assets of approximately S\$0.1 million was primarily due to the combined effect of (i) the increase in trade and other receivables of approximately S\$0.8 million; (ii) the increase in cash and cash equivalents of approximately S\$0.6 million; (iii) the increase in contract assets of approximately S\$0.8 million; (iv) the

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decrease in trade, other payables and accruals of approximately S\$1.5 million; (iv) the decrease in finance lease liabilities of approximately S\$1.3 million; and net off by (v) the increase in dividends payable of approximately S\$6.0 million.

Our net current assets increased from approximately S\$5.7 million as at 31 March 2018 to approximately S\$7.4 million as at 30 September 2018 primarily due to (i) the increase in contract assets of approximately S\$3.4 million; (ii) the decrease in dividends payable of approximately S\$6.0 million; and (iii) the decrease in the amounts due to directors of approximately S\$0.8 million; partially offset by (iv) the increase in contract liabilities of approximately S\$2.8 million; (v) the increase in trade, other payables and accruals of approximately S\$1.8 million; and (vi) the decrease in cash and cash equivalents of approximately S\$2.6 million.

Our net current assets increased from approximately S\$7.4 million as at 30 September 2018 to approximately S\$8.7 million as at 31 January 2019, primarily due to the combined effect of (i) the increase in trade and other receivables of approximately S\$2.3 million, which is primarily due to the increase in trade receivables, as more billings issued in relation to project #14 of approximately S\$2.6 million during the period; (ii) the increase in contract assets of approximately S\$4.5 million, mainly due to the increased work performed for project #17 and #18; (iii) the decrease in cash and cash equivalents of approximately S\$2.9 million, mainly due to the payments made to our suppliers; and (iv) the increase in amounts due to directors of approximately S\$2.0 million, being the advances given by Mr. Micheal Shi to our Group.

Working capital

Our Directors are of the opinion that, taking into consideration of the internal resources and banking facilities presently available to our Group, including cash generated from our operation, the estimated net proceeds to be received from the Share Offer, and further bank and other borrowings going forward, our Group has sufficient funds to meet the working capital and financial requirements for at least the next 12 months commencing from the date of this prospectus.

INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated. As at 31 January 2019, being the latest practicable date for this indebtedness statement, save as disclosed below, we did not have any debt securities issued and outstanding or agreed to be issued, bank borrowings or other similar indebtedness, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there were no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing necessary to carry out our business plans. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 January 2019 and

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up to the Latest Practicable Date. Our Directors confirmed that as at the Latest Practicable Date, save as disclosed in relation to the acquisition of the new industrial property, we did not have any immediate plan for material external debt financing.

	As at 31 March			As at 30 September	As at 31 January
	2016	2017	2018	2018	2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
					(unaudited)
Non-current					
Finance lease liabilities	1,294	26	—	558	612
Bank borrowings	<u>688</u>	<u>593</u>	<u>495</u>	<u>445</u>	<u>412</u>
	<u>1,982</u>	<u>619</u>	<u>495</u>	<u>1,003</u>	<u>1,024</u>
Current					
Amounts due to directors	1,558	975	753	—	2,000
Finance lease liabilities	2,175	1,334	26	739	1,109
Bank borrowings	<u>131</u>	<u>95</u>	<u>98</u>	<u>99</u>	<u>99</u>
	<u>3,864</u>	<u>2,404</u>	<u>877</u>	<u>838</u>	<u>3,208</u>
	<u><u>5,846</u></u>	<u><u>3,023</u></u>	<u><u>1,372</u></u>	<u><u>1,841</u></u>	<u><u>4,232</u></u>

As at 31 January 2019, being the latest practicable date for the purpose of determining indebtedness, our Group had amounts due to directors of approximately S\$2.0 million, finance lease liabilities amounted to approximately S\$1.7 million and bank borrowings amounted to approximately S\$0.5 million.

Our Directors confirmed that we did not have any unutilised banking facilities as at 31 January 2019.

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Bank borrowings

Set out below is the maturity profile of our bank borrowings as at the respective reporting dates indicated:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current, secured				
Bank borrowings				
— Repayable later than				
1 year and no later than 2 years	95	98	101	102
— Repayable later than				
2 years and no later than 5 years	303	311	319	321
— Repayable later than 5 years	<u>290</u>	<u>184</u>	<u>75</u>	<u>22</u>
	<u>688</u>	<u>593</u>	<u>495</u>	<u>445</u>
Current, secured				
Bank borrowings				
— Repayable no later than 1 year	<u>131</u>	<u>95</u>	<u>98</u>	<u>99</u>
Total	<u><u>819</u></u>	<u><u>688</u></u>	<u><u>593</u></u>	<u><u>544</u></u>

The bank borrowings mainly included loans for the purchase of two properties currently owned by our Group (see section headed “Business — Property interests” for details). For the three years ended 31 March 2018 and the six months ended 30 September 2018, the bank borrowings bear variable annual interest rates in the range from 1.78% to 2.88% respectively. As at 31 January 2019, being the latest practicable date for the purpose of determining indebtedness, our Group had bank borrowings amounted to approximately S\$0.5 million and are secured by our Group’s leasehold property and investment property and personal guarantees by Mr. Michael Shi and Mr. Shi Guan Lee, which shall be released upon Listing and replaced by corporate guarantees granted by our Company.

Finance lease liabilities

As at 31 March 2016, 2017 and 2018 and 30 September 2018, our total finance lease liabilities amounted to approximately S\$3.5 million, S\$1.4 million, S\$26,000 and S\$1.3 million respectively. Please refer to Note 24 to the accountant’s report set out in Appendix I to this prospectus for further details.

Finance lease liabilities relate to our purchase of certain machinery and motor vehicles by way of finance lease arrangement. The lease term ranged from one to seven years, with effective interest rates ranging from approximately 2.54% to 6.14% per annum during the three years ended 31 March 2018, and between 2.59% to 6.14% per annum during the six months ended 30 September 2018.

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The finance lease liabilities are secured by the charge over the leased assets with aggregate carrying values of approximately S\$5.7 million, S\$5.1 million, S\$0.3 million and S\$2.0 million as at 31 March 2016, 2017 and 2018 and 30 September 2018 respectively.

The details for the machineries and motor vehicle under finance leases were as follows:

As at 31 March 2016		Finance lease	Net book
Assets under finance leases	Unit	payable	value
		<i>S\$'000</i>	<i>S\$'000</i>
Excavator	13	592	1,117
Truck	7	572	935
Slurry Pipe Jacking and accessories	3	1,820	2,820
Lorry	4	178	328
Car	3	157	338
Crane system	1	150	194
		<u>3,469</u>	<u>5,732</u>
As at 31 March 2017		Finance lease	Net book
Assets under finance leases	Unit	payable	value
		<i>S\$'000</i>	<i>S\$'000</i>
Excavator	13	87	986
Truck	7	244	800
Slurry Pipe Jacking and accessories	3	821	2,488
Lorry	6	96	294
Car	3	67	327
Crane system	1	45	174
		<u>1,360</u>	<u>5,069</u>
As at 31 March 2018		Finance lease	Net book
Assets under finance leases	Unit	payable	value
		<i>S\$'000</i>	<i>S\$'000</i>
Truck	1	9	134
Lorry	1	2	67
Car	1	15	99
		<u>26</u>	<u>300</u>

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As at 30 September 2018			
Assets under finance leases	<i>Unit</i>	Finance lease payable <i>S\$'000</i>	Net book value <i>S\$'000</i>
Excavator	7	457	591
Truck	10	758	1,249
Car	1	<u>82</u>	<u>130</u>
		<u>1,297</u>	<u>1,970</u>

The amount payable within one year is included under current liabilities whilst that payable after one year is included under non-current liabilities. The table below sets out the maturity profile of our finance lease liabilities as at the respective reporting dates.

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Gross finance lease liabilities — minimum lease payments				
No later than one year	2,245	1,352	26	767
Later than one year and no later than two years	1,285	26	—	566
Later than two years and no later than five years	<u>26</u>	<u>—</u>	<u>—</u>	<u>—</u>
	3,556	1,378	26	1,333
Future finance charges on finance leases	<u>(87)</u>	<u>(18)</u>	<u>—</u>	<u>(36)</u>
Present value of finance lease liabilities	<u>3,469</u>	<u>1,360</u>	<u>26</u>	<u>1,297</u>

As at 31 January 2019, being the latest practicable date for the purpose of determining indebtedness, our Group had finance lease liabilities amounted to approximately S\$1.7 million and are secured by the charge over the leased assets with aggregate carrying values of approximately S\$2.5 million.

Amounts due to directors

The amount due to directors as at 31 March 2016, 2017 and 2018, 30 September 2018 and 31 January 2019 amounted to approximately S\$1.6 million, S\$1.0 million, S\$0.8 million, nil and S\$2.0 million, respectively, mainly representing the advances given by Mr. Michael Shi to our Group. The amounts were unsecured, interest-free and repayable on demand, and have been fully settled in February 2019.

Contingent liabilities

As at 31 January 2019, being the latest practicable date for the purpose of determining indebtedness, our Directors confirmed that we have no contingent liabilities.

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COMMITMENTS

Capital commitments

The following table sets forth our capital commitments as at the reporting dates:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Within one year	—	—	33	—
Between one and five years	—	—	—	—
	<u>—</u>	<u>—</u>	<u>33</u>	<u>—</u>

The capital commitments for the year ended 31 March 2018 are for our intangible assets that our Group has committed to purchase. Subsequently, it was capitalised as intangible assets as at the six months ended 30 September 2018.

Operating lease commitments

The Group as lessor

Our Group leased out investment properties to third parties under non-cancellable operating lease agreements. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

The future minimum lease receivables under non-cancellable operating leases contracted for at each reporting date but not recognised as receivables, are as follows:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Not later than one year	58	116	103	33
Between one and five years	<u>104</u>	<u>106</u>	<u>13</u>	<u>30</u>
	<u>162</u>	<u>222</u>	<u>116</u>	<u>63</u>

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The Group as lessee

Our Group leases land from third parties under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases in respect of land leases are as follows:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Not later than one year	89	81	122	125
Between one and five years	<u>5</u>	<u>—</u>	<u>1</u>	<u>9</u>
	<u>94</u>	<u>81</u>	<u>123</u>	<u>134</u>

CAPITAL EXPENDITURES

During the Track Record Period, our Group's capital expenditures principally consisted of expenditures on property, plant and equipment. We incurred cash flows on capital expenditures for the purchase of property, plant and equipment in the amount of approximately S\$1.4 million, S\$0.9 million, S\$0.6 million and S\$0.5 million for the three years ended 31 March 2018 and the six months ended 30 September 2018, respectively.

KEY FINANCIAL RATIOS

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	(times)	(times)	(times)	(times)
Current ratio ⁽¹⁾	1.2	1.6	1.5	1.8
Gearing ratio ⁽²⁾	0.4	0.2	0.1	0.1

	For the year ended 31 March		For the six months ended 30 September	
	2016	2017	2018	2018
	%	%	%	%
Gross profit margin ⁽³⁾	23.8	20.1	31.6	25.7
Return on total assets ⁽⁴⁾	13.5	11.5	15.4	N/A
Return on equity ⁽⁵⁾	27.8	18.3	27.7	N/A

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Notes:

- (1) Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.
- (2) Gearing ratio is calculated as total borrowings divided by total equity as at the respective reporting dates.
- (3) Gross profit margin is calculated as gross profit divided by revenue for the year/period.
- (4) Return on total assets is calculated as profit for the year divided by the total assets as at the respective reporting dates.
- (5) Return on equity is calculated as profit for the year divided by the total equity as at the respective reporting dates.

Current ratio

Our current ratio increased from approximately 1.2 times as at 31 March 2016 to approximately 1.6 times as at 31 March 2017 and decreased slightly to approximately 1.5 times as at 31 March 2018. Such fluctuation was mainly due to the increase in fixed deposit nature as at the year ended 31 March 2017.

Our current ratio increased to approximately 1.8 times as at 30 September 2018 mainly due to increase in contract assets and the decrease in dividends payable as at 30 September 2018.

Gearing ratio

Our gearing ratio as at 31 March 2016, 2017 and 2018 and 30 September 2018 decreased gradually over the Track Record Period, which was mainly attributable to the decrease in the outstanding balances of our debts, including borrowings and finance lease liabilities.

Gross profit margin

Our gross profit margin for the three years ended 31 March 2018 and the six months ended 30 September 2018 was approximately 23.8%, 20.1%, 31.6% and 25.7%, respectively. Please refer to the section headed “Period to period comparison of results of operations” above for the reasons of fluctuation in our gross profit margin.

Return on total assets

Our return on total assets for the three years ended 31 March 2018 was approximately 13.5%, 11.5%, and 15.4%, respectively. Such fluctuation was mainly due to the fluctuation in our net profit over the three years in the Track Record Period as explained above.

Return on equity

Our return on equity for the three years ended 31 March 2018 was approximately 27.8%, 18.3%, and 27.7%, respectively. Such fluctuation was mainly due to the fluctuation in our net profit over the three years ended 31 March 2018 as explained above. In addition, the increase in return on equity for the year ended 31 March 2018 was also an effect of the dividends of approximately S\$6.0 million declared during the year ended 31 March 2018, which reduced the equity base in the corresponding year.

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DIVIDENDS

During the year ended 31 March 2018, dividends of approximately S\$6.0 million were declared and paid by our Group to the then shareholders out of our distributable profits. All these dividends had been settled as at the Latest Practicable Date. Our Directors considered such dividend payments to our Controlling Shareholder immediately before Listing to be not unreasonable as our co-founder and Controlling Shareholder should be rewarded for his past efforts in building a significant presence in the gas pipeline industry and strong growth for our Group's business over the past 26 years which lays a strong foundation for continuous growth in the future.

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 the Listing. 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 pre-determined dividend payout ratio. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 17 July 2018. As at 30 September 2018, our Company had no reserves available for distribution to our Shareholders.

LISTING EXPENSES

During the Track Record Period, we had incurred and recognised approximately S\$1.9 million (equivalent to approximately HK\$11.1 million) listing-related expenses in the combined statements of profit and loss for the six months ended 30 September 2018. The total estimated expenses in relation to the Listing are approximately S\$6.5 million (equivalent to approximately HK\$37.3 million), of which approximately S\$3.3 million (equivalent to approximately HK\$19.0 million) is directly attributable to the issue of the Offer Shares and is to be accounted for as an equity deduction upon Listing. The remaining amount of approximately S\$3.2 million (equivalent to approximately HK\$18.3 million) is expected to be charged to the profit and loss of our Group for the year ending 31 March 2019, which included the approximately S\$1.9 million recognised for the six months ended 30 September 2018. This calculation is based on the mid-point of our indicative Offer Price of HK\$0.60 per Share. The recognition of the listing expenses is expected to materially affect our financial results for the year ending 31 March 2019. 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.

Our Group is exposed to certain financial risks, including market risk, credit risk and liquidity risk. Our Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance. For further details of our financial and capital risk management, please refer to the Note 3 to the accountant's report set out in the Appendix I to this prospectus.

FINANCIAL INFORMATION

We manage our capital to ensure that we will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. Our management reviews our Group's capital structure from time to time and, as part of the review, we consider the cost of capital and the risks associated with each class of capital. Depending on our capital structure and needs from time to time, we may balance our overall capital structure through the payment of dividends, the issue of new shares and/or new debts.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets, which was prepared to illustrate the effect of the Share Offer on the audited combined net tangible assets of our Group attributable to owners of our Company as at 30 September 2018 as if the Share Offer had taken place on 30 September 2018, was approximately HK\$0.216 per Share (based on the minimum indicative Offer Price of HK\$0.55 per Offer Share) or HK\$0.240 per Share (based on the maximum indicative Offer Price of HK\$0.65 per Offer Share). Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

PROPERTY INTERESTS AND PROPERTY VALUATION

For the purpose of the Listing, Jones Lang LaSalle Property Consultants Pte Ltd, an independent property valuer, has valued our property interests as at 31 December 2018 and was of the opinion that the value of our property was approximately S\$1.0 million. The full text of the letter, summary of valuation and valuation certificates with regard to our property interests are set out in the section headed "Property Valuation Report" in the Appendix III to this prospectus.

PROPERTY VALUATION RECONCILIATION

The statement below shows the reconciliation of the value of our property as reflected in the audited consolidated financial information as at 30 September 2018 as set out in the Appendix I to this prospectus with the valuation of this property as at 31 December 2018 as set out in the Appendix III to this prospectus.

	<i>S\$'000</i>
Net book value of the property interest as at 30 September 2018 (audited)	1,020
Movement from 30 September to 31 December 2018 (unaudited)	
Less: Depreciation	—
Add: Elimination of revaluation	—
Net book value of the property interests as at 31 December 2018 (unaudited)	1,020
Valuation surplus	—
Valuation as at 31 December 2018 as set out in the property valuation report in the Appendix III	<u><u>1,020</u></u>

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DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, there are no circumstances that would give rise to the disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

We have continued to focus on strengthening our market position for our infrastructural pipeline engineering works in Singapore. As far as we are aware, our industry remained relatively stable after the Track Record Period with 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 October 2018 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 (apart from listing expenses incurred) as there were no significant changes to the general business model of our Group. In July 2018, Public Utilities Board, National Water Agency and National Environment Agency announced that they will be calling tenders with a total estimate of more than S\$5 billion over the next five years for civil, mechanical and electrical engineering works for Tuas Nexus. In September 2018, Keppel DHCS Pte. Ltd. announced that it was awarded with a contract for the initial phase of a tender by JTC Corporation to design a new district cooling system plant in the upcoming Jurong Innovation District. Contingent upon approval by JTC Corporation, a final phase may then be awarded by JTC Corporation to build, own and operate the new district cooling plant on a 30 year contract term. Slated for completion by end 2021, the new district cooling system plant will provide high quality and reliable chilled water supply service to several developments in Bulim Phase 1, covering a 28-hectare area, including industrial-use buildings. Our Directors believed that, based on our past experiences, such projects may require pipe jacking machines and confirmed that we will be participating in any of the tenders being called by Keppel DHCS Pte. Ltd. when available.

As at the Latest Practicable Date, we had 17 ongoing projects. These ongoing projects have an aggregate contract sum of approximately S\$82.6 million, of which approximately S\$35.8 million had been recognised as revenue during the Track Record Period, most part of the remaining amounts of approximately S\$16.5 million and S\$30.0 million are expected to be recognised as our revenue for the two years ending 31 March 2020 respectively while the remaining sum of approximately S\$0.3 million will be recognised after the year ending 31 March 2020. As from 1 October 2018 and up to the Latest Practicable Date, (i) we had secured two projects with a total contract value of approximately S\$5.6 million which were tendered previously; and (ii) we had submitted a total of eleven tenders for a total contract value of approximately S\$119.8 million, one of which with a contract value of approximately S\$0.2 million has been awarded, two of which with a total contract value of approximately S\$8.1 million have not been awarded, while the remaining eight tenders with a total contract value of approximately S\$111.5 million were still pending results.

NO MATERIAL ADVERSE CHANGE

Our Executive Directors further confirmed that save for the impact of the listing expenses in connection with the Listing, up to the date of this prospectus, there has been no event, nor material adverse change in our financial or trading position or prospects since 1 October 2018, which would have materially affected the information presented in our combined financial statements included in the Accountant's report set forth in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See section headed “Business — Business strategies” for a detailed description of our business strategies and future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Share Offer, after deducting underwriting fees and estimated expenses in connection with the Share Offer, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.60 per Share (being the midpoint of the indicative Offer Price range of HK\$0.55 to HK\$0.65 per Share) will be approximately HK\$100.7 million. Our Directors intend to apply the net proceeds from the Share Offer as follows:

	Total	Approximate percentage of
	HK\$ million	net proceeds
		%
(a) Relocate to a new property to be acquired to be used as our new office, foreign worker dormitory and warehouse for our machinery	60.1	59.7
(b) Purchase two pipe jacking machines	31.4	31.2
(c) Working capital	<u>9.2</u>	<u>9.1</u>
Total	<u><u>100.7</u></u>	<u><u>100.0</u></u>

We set out below the detailed breakdown and description of our intended use of net proceeds of the Share Offer:

- (a) Approximately HK\$60.1 million, representing approximately 59.7% of the net proceeds will be used for relocation to a new property by 30 September 2019 with an estimated total gross floor area of at least 6,500 square metres to be acquired to be used as our office, car park and driveway, foreign worker dormitory and warehouse and fabrication for our machinery, as follows:
 - (i) the total purchase price of the property, based on quotations obtained from a real estate agent, is expected to be approximately HK\$83.4 million; and
 - (ii) the total renovation cost for the new property, based on quotations obtained from (a) a firm specialising in office furniture and equipment and providing professional installation and relocation services for individual and commercial office; and (b) a building, civil engineering and interior contractor, is expected to be approximately HK\$4.6 million.

We will bear the stamp duty in the aggregate amount of approximately HK\$2.5 million through our own internal resources.

FUTURE PLANS AND USE OF PROCEEDS

We expect to complete the purchase of the new property by September 2019, complete the construction and renovation of the new property by March 2020 and move into the new property in around October 2020 just before the lease term for the existing property expires.

As at the Latest Practicable Date, we owned two properties including one leasehold property located at 36, Sungei Kadut Avenue, Singapore 729661, which has a gross floor area of approximately 5,000 square metres, which is used as our headquarter for our office, car park and driveway, warehouse and dormitory. The lease term of the said leasehold property will expire on 31 October 2020, in which event the property will be reverted back to JTC Corporation, the agency in Singapore to spearhead the planning, promotion and development of industrial landscape. JTC Corporation has notified us of their plans for redevelopment of the area where our leasehold property is located, and will not be renewing the lease to us for any further term upon the expiry of the current lease term. Accordingly, we have to relocate to a new property upon the expiry of the lease term of our property.

The table below sets out the comparison and usage of the existing and new premises:

	Existing premises (sq.m.)	Usage (Units)	New premises (sq.m.)	Usage (Units)
Office	550	37 (including 3 meeting rooms and a director room)	780	45 (including 4 meeting rooms and a director room)
Car park and driveway	2,150	31	2,900	40
Foreign worker dormitory	820	7 rooms (for 127 persons)	1,400	14 rooms (for 250 persons)
Warehouse and fabrication for machinery	1,450	—	1,700	—
Total	<u>4,970</u>		<u>6,780</u>	

The following table summarises the expected mode of financing of the amount of purchase cost for the new property:

	HK\$ million	S\$ million	%
Financed by net proceeds from Share Offer	60.1	10.5	68.3
Financed by mortgaged loan	<u>27.9</u>	<u>4.8</u>	<u>31.7</u>
Total purchase and renovation costs	<u>88.0</u>	<u>15.3</u>	<u>100.0</u>

As at the Latest Practicable Date, we were still in the process of identifying suitable sites in Jurong, Singapore. We estimate the total purchase and renovation costs, to be in the amount of approximately HK\$88.0 million, of which approximately HK\$60.1 million will be financed by the net proceeds from the Share Offer and the remaining amount of approximately

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HK\$27.9 million will be financed by banking facilities. Based on the preliminary discussions with our financier, our Directors expect to obtain the banking facilities for the mortgage loan of up to 35% of the purchase and renovation costs after the sales and purchase agreement of the property is executed. Please refer to “Business — Business strategies — Relocate to a new property to be acquired to be used as our new office, foreign worker dormitory and warehouse for our machinery to accommodate our expected business expansion” for further details.

- (b) Approximately HK\$31.4 million, representing approximately 31.2% of the net proceeds will be used to purchase two pipe jacking machines by 30 June 2019 to strengthen our market position in the infrastructural pipeline engineering works as our Group intends to increase the number and/or scale of projects we secure and to increase our market share in the water pipeline and cable installation projects. We intend to purchase two pipe jacking machines of 800 mm and 3,000 mm diameters in size, respectively as such machinery is not readily available to be leased on a standalone basis at reasonable rental.

The following table sets out the intended number of units of pipe jacking machines to be purchased and the timing of our purchase:

		Number of units	Amount of net proceeds of the Share Offer
From the Latest Practicable Date to 30 June 2019	3,000 mm pipe jacking machine	1	HK\$28.4 million (S\$4.9 million)
	800 mm pipe jacking machine	1	HK\$4.7 million (S\$0.8 million)

Please refer to “Business — Business strategies — Purchase two pipe jacking machines to increase the number and scale of projects to capture new business opportunities” for further details.

- (c) The remaining balance of approximately HK\$9.2 million, representing approximately 9.1% of the net proceeds will be used for working capital purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.65 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Share Offer will increase by approximately HK\$10.5 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\$0.55 per Share, and assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Share Offer will decrease by approximately HK\$10.5 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 net proceeds of approximately HK\$121.1 million, assuming an Offer Price of HK\$0.60 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

FUTURE PLANS AND USE OF PROCEEDS

indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Over-allotment Option will increase by approximately HK\$12.2 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\$12.2 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.

We will issue an announcement in the event that there is any material change in the use of proceeds from the Share Offer as set out above.

We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the Shares together with any applicable fees relating to the Share Offer.

REASONS FOR THE LISTING

Our Directors consider that our expansion plan is capital intensive. While our business generated net operating cash inflow, it is insufficient for the immediate implementation of our business strategies and would place undue financial burden on our Group in terms of cashflow if we are to use all our cash on hand for business growth purposes. Taking into account the fact that (i) our Group had a cash balance of approximately S\$0.7 million as at 31 January 2019; and (ii) our Group's cash outflow exposure including the time gap between receipt of payments from our customers and payments to our suppliers, subcontractors and staff costs, our Directors believe our Group may have insufficient internally generated funds to finance our expansion plan while at the same time maintaining sufficient working capital for our Group's operations. As disclosed in the section headed "Future plans and use of proceeds — Use of proceeds", the implementation of our business expansion plans requires a substantial amount of cash as we are to acquire, new machinery and new office, warehouse and worker dormitory premises.

(i) Funding our expansion plans

Based on our current estimates and in view of the lease term of our existing office, dormitory and warehouse premises which will expire on 31 October 2020, our expansion plans will involve an investment of approximately HK\$121.1 million. Such expansion plans as detailed in the section headed "Future plans and use of proceeds — Use of proceeds" will equip our Group with sufficient resources to maintain our competitiveness in the infrastructural pipeline industry (in terms of human resources, infrastructure and funding) to cater for our business growth opportunities in the next three years, especially in the water pipeline and cable installation projects, while maintaining our strong foothold in the gas industry, and enable us to establish ourselves as a key market player in this industry beyond our current achievement in Singapore. Our Directors expect that as our Group's business grows and demand for our Group's services increases, larger amounts of capital as well as more substantive amounts retained for costs such as prepayment of suppliers and subcontracting fees would be required. In view of the long-term objective of our Group to pursue such business growth, our Directors considered that it is in the best interest of our Group to seek further investments from a broad shareholders' base instead of

FUTURE PLANS AND USE OF PROCEEDS

from the Controlling Shareholders. Accordingly, our Directors consider the Listing provides an avenue to our Group to raise capital through equity infusion to fund our continuous growth, and enable us to grow faster than we could if we were to remain private by relying solely on our limited internal resources.

(ii) Enhance our visibility and credibility

As a listed company upon Listing, we are subject to international disclosure and corporate governance standards. Our Directors believe that the Listing will provide us with the benefit of greater credibility and enhance our financial status on one hand and improve customer credibility on the other. As a listed company, our Controlling Shareholders will be released with the requirement of giving personal guarantees to our financiers for banking facilities granted to our Group, thereby reduce the financial burden of our Controlling Shareholders. In addition, the Listing will raise our Group's profile awareness and publicity in Singapore and beyond, making our Group's range of services known to new potential customers and business partners, in the hope of leading to an increase in market share and industry influence. Our Directors also believe that customers (which are utilities companies, being listed companies themselves), suppliers and subcontractors may prefer to deal with listed corporation given their reputation, listing status, public financial disclosures, transparency and enhanced internal control system and corporate governance. Thus, the publicity from the Listing would be beneficial to our Group and our Directors believe that a public listing status will enhance our corporate profile and recognition and assist us in reinforcing our corporate image. We believe that the public listing status will help us in our pursuit for other customers, attracting business opportunities by way of collaboration or strategic partnership.

(iii) Meaningful incentive scheme to retain talents

In addition, a public listing status may also enable us to attract and retain talents. We have, as part of the Listing, adopted the Share Option Scheme to incentivise our employees. As our business requires the support of experienced engineers and skilled personnel who have experience in infrastructural pipeline engineering industry, the Listing enables us to adopt a meaningful stock options programme for our employees to be fairly compensated in line with their contributions and performance. This is because when our Shares are publicly traded, the share price hinges on our performance, which is indirectly attributable to the employees' efforts. Employees who exercise their share options are then able to trade our Shares freely in an open market.

(iv) Broader shareholder base to enhance long term continuity and business succession

A public listing status on the Stock Exchange helps to unlock the real hidden value of our Group through market-driven mechanism as compared to when we were a private company where there was no market available for trading of shares of an unlisted company, the fair market value of our Group is difficult to arrive at. A public listing status may also offer our Company a broader shareholder base which can potentially lead to a more liquid market in the trading of our Shares. In view of our long and reputable history, our Executive Directors and Controlling Shareholders believe that a Listing is a natural progression of our corporate history and the broader shareholder base will enhance the long-term continuity of our Group and business succession. Furthermore, capital market provides a well-organised risk distribution system for risk transfer from one person to another through well-organised market forces.

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(v) Higher trading liquidity of Hong Kong stock market than Singapore stock market

Our Directors have evaluated various venues for a listing, including Singapore and decided that the Hong Kong stock market to be the most suitable listing venue for our Group having considered the followings:

- (i) the increasing number of Singapore companies being listed in Hong Kong, our Executive Directors are of the view that a listing in Hong Kong would be recognised by our existing and potential customers as having attained a certain standard of corporate governance and financial strength; and
- (ii) the ease of access to capital market funding with sustained investor interest subsequent to Listing based on turnover of shares on the Hong Kong Stock Exchange. We consider that capital market funding is an appropriate alternative to debt financing, with the possibility of secondary fund raising. Our Executive Directors consider that the level of trading activities on a stock exchange is one of the main indicators for the ease of conducting secondary fund raising exercises after listing.

A listing on the Stock Exchange would augment the development of our Group's business due to higher trading liquidity of the Hong Kong stock market as compared to the Singapore stock market where, in particular, our Directors noted in 2018, the average daily turnover of shares in Hong Kong was approximately HK\$107.4 billion (equivalent to approximately S\$18.7 billion) versus that of approximately HK\$6.9 billion (equivalent to approximately S\$1.2 billion) in Singapore. Further, our Directors have also noted the relevant average daily trading liquidity of the listed companies involved in infrastructure construction sector listed on the Hong Kong stock market was approximately HK\$1,454.5 million (equivalent to approximately S\$252.1 million) versus that of approximately HK\$1.8 million (equivalent to approximately S\$0.3 million) listed on the Singapore stock market.

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PUBLIC OFFER UNDERWRITERS

Fortune (HK) Securities Limited
Pacific Foundation Securities Limited
China Industrial Securities International Capital Limited
Sorrento Securities Limited
Astrum Capital Management Limited
Frontpage Capital Limited
ZACD Financial Group Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by public in Hong Kong of 23,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) may in their absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company 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 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,

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economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money 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 Public Offer 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”; or

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- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or a material devaluation of Hong Kong dollar or Singapore dollar against any foreign currency; or
- (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 Share Offer; or
- (p) non-compliance of this prospectus or any aspect of the Share Offer 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 loss or damage sustained by any member of our Group; or
- (s) 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 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 Public Offer 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,

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which in the sole and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer 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
 - (b) has or will or may have a material adverse effect on the success of the Share Offer 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 Public Offer Underwriting Agreement, the Placing Underwriting Agreement, and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) the Joint Lead Managers or any of the Public Offer 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 Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or repeated as determined by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), 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 Public Offer (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; or
 - (c) there has been a material breach on the part of any of our Company, Controlling Shareholders and Executive Directors of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
 - (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

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- (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 Share Offer 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
- (g) we withdraw this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer.

Undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken to the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Public Offer Underwriters, and each of our Controlling Shareholders and Executive Directors has undertaken to and covenants with the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Public Offer Underwriters that he/she/it will procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of any share options to be granted under the Share Option Scheme or the subscription rights attaching to the Over-allotment Option 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 Lead Managers (for themselves and on behalf of the Public Offer 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 Public Offer 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 transaction 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 Public Offer 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

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agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of any share options to be granted under the Share Option Scheme or the subscription rights attaching to the Over-allotment Option 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(2) of the Listing Rules;

- (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 (a) or (b) above 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 jointly and severally represented, warranted and undertaken to the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Public Offer Underwriters and our Company that, except pursuant to the Share Offer and unless in compliance with the Listing Rules, he/she/it shall not, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his/her/its close associates (as defined in the Listing Rules) or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/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/she/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

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- (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 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/she/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 jointly and severally undertakes to the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he/she/it shall:

- (a) if and when he/she/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/her/it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Public Offer 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/she/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/her/it will be disposed of, immediately inform our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Public Offer 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 Share Offer or unless in compliance with the requirements of the Listing Rules, he/she/it 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 his/her/its 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 he/she/it is shown by this prospectus to be

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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, he/she/it would cease to be our Controlling Shareholder.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that he/she/it will, within a period of commencing on the date by reference to which disclosure of his/her/its 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 he/she/it 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 Share Offer (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.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our Controlling Shareholders and Executive Directors will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Prospective investors shall be reminded that in the event

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that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings to the Public Offer Underwriters” above.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option. The Joint Lead Managers or its agent, on behalf of the Placing Underwriters, can exercise the Over-allotment Option to require our Company to allot and issue up to an aggregate of 34,500,000 additional Shares, representing 15% of the Offer Shares initially available under the Share Offer, at the Offer Price per Placing Share, solely to cover over allocations, if any, in the Placing.

The Over-allotment Option may be exercised by the Joint Lead Managers any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer, being Thursday, 18 April 2019. The purpose of the exercise of the Over-allotment Option is to settle any over-allocations in the Placing, if any. See section headed “Structure and conditions of the Share Offer” for further details of the Over-allotment Option.

Commission, fees and expenses

The Public Offer Underwriters will receive a gross underwriting commission of up to 8% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer out of which any sub-underwriting commission, praecipium and selling concession will be paid. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters.

Based on the Offer Price of HK\$0.60 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 Share Offer, are estimated to amount to approximately HK\$37.3 million in total (assuming the Over-allotment Option is not exercised), and are payable by our Company. 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 Share Offer. The Joint Lead Managers 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 Fortune Financial 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, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager or 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 Share Offer.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing 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 Lead Managers 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 Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. The Share Offer consists of:

- a. the Public Offer of 23,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the paragraph headed “The Public Offer” below; and
- b. the Placing of an aggregate of 207,000,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors under the Placing.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing may be subject to reallocation as described in the paragraph headed “The Public Offer — Reallocation” below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 23,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of the enlarged issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer, assuming the Over-allotment Option is not exercised.

The Public Offer 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 Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” below.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The total number of Public Offer Shares available under the Public Offer (after taking into account any reallocation as referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: 11,500,000 Offer Shares for pool A and 11,500,000 Offer Shares for pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public 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 Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public 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 Public 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 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 Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Public Offer and any application for more than 11,500,000 Public Offer Shares, being 50% of the 23,000,000 Public Offer Shares initially available under the Public Offer are liable to be rejected.

Reallocation

The allocation of Placing Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, the Joint Lead Managers have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers deem appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 23,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer (before taking into account any exercise of the Over-allotment Option) will be increased to 46,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before taking into account any exercise of the Over-allotment Option);
 - (iii) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares (before taking into account any exercise of the Over-allotment Option) initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

subscription under the Public Offer will be 69,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer (before taking into account any exercise of the Over-allotment Option);

- (iv) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares (before taking into account any exercise of the Over-allotment Option) available for subscription under the Public Offer will be 92,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer (before taking into account any exercise of the Over-allotment Option); and
 - (v) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares (before taking into account any exercise of the Over-allotment Option) available for subscription under the Public Offer will be 115,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer (before taking into account any exercise of the Over-allotment Option);
- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless fully underwritten by the Underwriters; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public offer, then up to 23,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 46,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before taking into account any exercise of the Over-allotment Option).

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, in the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (i) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (ii) the Placing Shares are undersubscribed and the Public Offer Shares are oversubscribed under paragraph (b)(ii) above, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 46,000,000 Offer Shares); and the final Offer Price shall be fixed at the low end of the indicated Offer Price range stated in this prospectus (i.e. HK\$0.55 per Offer Share).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In each case, the additional Offer Shares reallocated to the Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in their sole and absolute discretion reallocate the Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Tuesday, 26 March 2019.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he/she and any person(s) for whose benefit he/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 Placing Shares under the Placing, 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/she has been or will be placed or allocated Placing Shares under the Placing.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum offer price of HK\$0.65 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\$2,626.20 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" below, is less than the maximum offer price of HK\$0.65 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. See section headed "How to apply for the Public Offer Shares" for further information.

THE PLACING

Number of Placing Shares offered

Subject to reallocation as described above and the Over-allotment Option, the Placing will consist of 207,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer, assuming that the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Placing Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing 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 Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the “book-building” process 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 Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed “The Public Offer — 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 Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, we are expected to grant the Over-allotment Option to the Placing Underwriters, exercisable by the Sole Global Coordinator on behalf of the Placing Underwriters.

Pursuant to the Over-allotment Option, the Placing Underwriters will have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) at any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Public Offer, being Thursday, 18 April 2019, to require our Company to allot and issue, at the Offer Price, up to an aggregate of 34,500,000 additional Shares, representing 15% of the number of Offer Shares initially being offered under the Share Offer, on the same terms and conditions as those applicable to the Share Offer, to cover over-allocations in the Placing 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 15% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer and the exercise of the Over-allotment Option.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocation in connection with the Share Offer, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 34,500,000 Shares from APL 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 APL is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation in the Placing 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.

In connection with the Share Offer, 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 Share Offer, being Thursday, 18 April 2019. 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 Public Offer, being Thursday, 18 April 2019. 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 34,500,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

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; (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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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 Thursday, 18 April 2019, being the 30th day after the last date for lodging applications under the Public Offer. 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
- 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 Share Offer, the Stabilising Manager may over-allocate up to and not more than an aggregate of 34,500,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Sole Global Coordinator, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, the Stabilising Manager may borrow up to 34,500,000 Shares from APL, 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 APL 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 APL by the Stabilising Manager in relation to the stock borrowing arrangement.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PRICING AND ALLOCATION

Determination of the Offer Price

The Joint Lead Managers are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Share Offer.

Pricing for the Offer Shares for the purpose of the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 19 March 2019, and in any event at or before 5:00 p.m. on Monday, 25 March 2019, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the Share Offer will be determined shortly thereafter.

Range of Offer Price

The Offer Price will not be more than HK\$0.65 per Offer Share and is expected to be not less than HK\$0.55 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer must pay, on application, the maximum Offer Price of HK\$0.65 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$2,626.20 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\$0.65 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 and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 5:00 p.m. on Monday, 25 March 2019, the Share Offer will not proceed and will lapse.

See section headed “How to apply for the Public Offer Shares” for further information.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Change to the range of Offer Price

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, 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 Public Offer.

In such case, we shall cause to be published, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer:

- (a) a notice of the change on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.pipeline-engineering-holdings.com**; and
- (b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change.

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 Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for Public 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 Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Share Offer statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. In the absence of any such notice published in relation to the reduction in the Offer Price range, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants 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.

Announcement of Offer Price and basis of allocations

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be published on Tuesday, 26 March 2019 in the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.pipeline-engineering-holdings.com**.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around Tuesday, 19 March 2019. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed “Underwriting”.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue to be issued pursuant to the Share Offer (including the Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

2. Placing Underwriting Agreement

The execution and delivery of the Placing Underwriting Agreement on or about Thursday, 14 March 2019.

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 our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) at or before 5:00 p.m. on Monday, 25 March 2019, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.pipeline-engineering-holdings.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 the section headed "How to apply for the Public 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 from time to time).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 26 March 2019 but will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on Wednesday, 27 March 2019 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" has not been exercised and has lapsed.

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 Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 27 March 2019, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 27 March 2019.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1865.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, 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 Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S 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 (bearing the corporation name).

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Co-Lead Manager 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 Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public 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 Share Offer;
- are a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, (i) complete and sign a **WHITE** Application Form; or (ii) apply online through the designated website of **HK eIPO White Form** service provider at www.hkeipo.hk under the **HK eIPO White Form** service.

For Public 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 Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 14 March 2019 to 12:00 noon on Tuesday, 19 March 2019 from:

- (i) the following office of the Public Offer Underwriters:

Fortune (HK) Securities Limited	43/F, COSCO Tower 183 Queen's Road Central Hong Kong
Pacific Foundation Securities Limited	11/F, New World Tower II 16–18 Queen's Road Central Hong Kong
China Industrial Securities International Capital Limited	7/F, Three Exchange Square 8 Connaught Place Central Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Sorrento Securities Limited	11/F, The Wellington 198 Wellington Street Central Hong Kong
Astrum Capital Management Limited	Room 2704, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Frontpage Capital Limited	26/F, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
ZACD Financial Group Limited	Unit 2029, Level 20, Infinitus Plaza 199 Des Voeux Road Central Sheung Wan, Hong Kong

- (ii) any of the following branches of DBS Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	Queen's Road East — DBS Treasures Centre	Shop A, G/F, Jonsim Place, 228 Queen's Road East, Wanchai, Hong Kong
Kowloon	Nathan Road — SME Banking Centre	2/F, Wofoo Commercial Building, 574–576 Nathan Road, Mongkok
New Territories	Kwai Chung Branch	G/F, 1001 Kwai Chung Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 14 March 2019 until 12:00 noon on Tuesday, 19 March 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 “**TING HONG NOMINEES LIMITED — PIPELINE ENG PUBLIC OFFER**” for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, 14 March 2019 — 9:00 a.m. to 5:00 p.m.
Friday, 15 March 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, 16 March 2019 — 9:00 a.m. to 1:00 p.m.
Monday, 18 March 2019 — 9:00 a.m. to 5:00 p.m.
Tuesday, 19 March 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 19 March 2019, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the applications lists” below.

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 or by giving **electronic application instructions** to HKSCC, 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, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and/or the Co-Lead Manager (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies 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 Share Offer in this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any of the Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, 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 Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers the Co-Lead Manager, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to deposit any Share certificate(s) into CCASS and/or to send any Share certificate(s) and/or any refund cheque(s) and/or e-Auto Refund payment instruction 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 are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Co-Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC 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.

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).

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” above, may apply through the **HK eIPO White Form** service for the Public 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Thursday, 14 March 2019 until 11:30 a.m. on Tuesday, 19 March 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 19 March 2019 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the application lists” below.

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 Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application 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 Public 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 (852) 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)

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you understand that our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:⁽¹⁾

Thursday, 14 March 2019 — 9:00 a.m. to 8:30 p.m.
Friday, 15 March 2019 — 8:00 a.m. to 8:30 p.m.
Saturday, 16 March 2019 — 8:00 a.m. to 1:00 p.m.
Monday, 18 March 2019 — 8:00 a.m. to 8:30 p.m.
Tuesday, 19 March 2019 — 8:00 a.m. to 12:00 noon

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 14 March 2019 until 12:00 noon on Tuesday, 19 March 2019 (24 hours daily, except on Tuesday, 19 March 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 19 March 2019, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, 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 Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public 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, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager 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 Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 19 March 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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
- 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 PUBLIC 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 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public 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). See section headed “Structure and conditions of the Share Offer — Pricing and allocation” for further details on the Offer Price.

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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 19 March 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 19 March 2019 or if there is a tropical cyclone warning signal number 8 or above or a black rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable”, 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 Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer on Tuesday, 26 March 2019 on our Company’s website at **www.pipeline-engineering-holdings.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 Public Offer 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.pipeline-engineering-holdings.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 26 March 2019;
- 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 9:00 a.m. on Tuesday, 26 March 2019 to 12:00 midnight on Monday, 1 April 2019;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 26 March 2019 to Friday, 29 March 2019 on a Business Day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 26 March 2019 to Thursday, 28 March 2019 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. See the section headed “Structure and conditions of the Share Offer” for further information.

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 THE PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, 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 Public Offer Shares is void:

The allotment of Public 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 THE PUBLIC 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) Public Offer Shares and Placing 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, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or the Co-Lead Manager 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 Public Offer Shares initially offered under the Public Offer.

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\$0.65 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" 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, 26 March 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Public 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 Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Tuesday, 26 March 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 27 March 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” of 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 Public 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 Branch 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, 26 March 2019 or such other date as announced by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC 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 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 26 March 2019, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 26 March 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 26 March 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants applications together with the results of the Public Offer in the manner described in "11. 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, 26 March 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. and 1:00 p.m. on Tuesday, 26 March 2019, 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 THE PUBLIC 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 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 26 March 2019 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 Public Offer Shares

For the purposes of allocating Public 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, 26 March 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "11. Publication of Results" above on Tuesday, 26 March 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 26 March 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 26 March 2019. Immediately following the credit of the Public 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 Public 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, 26 March 2019.

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 set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PIPELINE ENGINEERING HOLDINGS LIMITED (FORMERLY KNOWN AS ASTUTE PROSPER HOLDING LIMITED AND PIPELINE TECHNOLOGIES HOLDINGS LIMITED) AND FORTUNE FINANCIAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Pipeline Engineering Holdings Limited (formerly known as Astute Prosper Holding Limited and Pipeline Technologies Holdings Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-54, which comprises the combined statements of financial position as at 31 March 2016, 2017 and 2018 and 30 September 2018, the statement of financial position of the Company as at 30 September 2018 and the combined statements of profit or loss and total comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-54 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 14 March 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 30 September 2018 and the combined financial position of the Group as at 31 March 2016, 2017 and 2018 and 30 September 2018 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statements of profit or loss and total comprehensive income, changes in equity and cash flows for the six months ended 30 September 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES
ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”) AND
THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 26 to the Historical Financial Information which states that no dividends have been paid by Pipeline Engineering Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong

14 March 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report. The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers, in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements"). The Historical Financial Information is presented in Singapore Dollar ("S\$") and all values are rounded to the nearest thousand ("S\$'000") except when otherwise indicated.

(A) COMBINED STATEMENTS OF PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

		Year ended 31 March			Six months ended 30 September	
		2016	2017	2018	2017	2018
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
					(Unaudited)	
Revenue	6	29,502	28,408	23,419	11,908	14,141
Cost of sales	9	(22,491)	(22,690)	(16,021)	(8,253)	(10,502)
Gross profit		7,011	5,718	7,398	3,655	3,639
Other income	7	412	657	495	233	259
Other gains/(losses)	8	27	(137)	(218)	16	(36)
Administrative expenses (including listing expenses)	9	(2,342)	(2,296)	(2,283)	(1,022)	(3,350)
Finance costs	11	(123)	(93)	(36)	(34)	(17)
Fair value loss on investment properties	16	(110)	(250)	(75)	—	—
Profit before income tax		4,875	3,599	5,281	2,848	495
Income tax expense	12	(854)	(349)	(783)	(420)	(438)
Profit and total comprehensive income attributable to owners of the Company for the year/period		4,021	3,250	4,498	2,428	57
Earnings per share for profit attributable to equity holders of the Company						
Basic and diluted	13	N/A	N/A	N/A	N/A	N/A

(B) COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		As at 30 September	
		2016	2017	2018	2018
		S\$'000	S\$'000	S\$'000	S\$'000
Note					
ASSETS					
Non-current assets					
Property, plant and equipment	14	10,768	9,826	8,348	9,699
Intangible asset	15	—	—	—	96
Investment properties	16	3,800	3,550	3,475	1,020
Contract assets	20	448	—	31	—
		<u>15,016</u>	<u>13,376</u>	<u>11,854</u>	<u>10,815</u>
Current assets					
Trade and other receivables	19	4,594	3,998	4,835	3,894
Contract assets	20	6,184	5,410	6,183	9,566
Inventories		—	—	205	—
Cash and cash equivalents	21(a)	3,951	5,570	6,153	3,499
Fixed deposit	21(b)	—	—	—	100
		<u>14,729</u>	<u>14,978</u>	<u>17,376</u>	<u>17,059</u>
Total assets		<u><u>29,745</u></u>	<u><u>28,354</u></u>	<u><u>29,230</u></u>	<u><u>27,874</u></u>

		As at 31 March		As at 30 September	
		2016	2017	2018	2018
	Note	S\$'000	S\$'000	S\$'000	S\$'000
EQUITY AND LIABILITIES					
Equity					
Combined capital	22	1,500	1,500	1,500	1,500
Retained profits		<u>12,976</u>	<u>16,226</u>	<u>14,724</u>	<u>14,781</u>
		<u>14,476</u>	<u>17,726</u>	<u>16,224</u>	<u>16,281</u>
Current liabilities					
Trade, other payables and accruals	23	5,252	3,793	2,275	4,116
Contract liabilities	20	2,271	1,828	1,168	3,941
Amounts due to directors	29	1,558	975	753	—
Finance lease liabilities	24	2,175	1,334	26	739
Bank borrowings	25	131	95	98	99
Dividends payable	26	—	—	6,000	—
Current income tax liabilities		<u>943</u>	<u>1,155</u>	<u>1,389</u>	<u>803</u>
		<u>12,330</u>	<u>9,180</u>	<u>11,709</u>	<u>9,698</u>
Non-current liabilities					
Deferred income tax	18	957	829	802	892
Finance lease liabilities	24	1,294	26	—	558
Bank borrowings	25	<u>688</u>	<u>593</u>	<u>495</u>	<u>445</u>
		<u>2,939</u>	<u>1,448</u>	<u>1,297</u>	<u>1,895</u>
Total liabilities		<u>15,269</u>	<u>10,628</u>	<u>13,006</u>	<u>11,593</u>
Total equity and liabilities		<u>29,745</u>	<u>28,354</u>	<u>29,230</u>	<u>27,874</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at
		30 September
		2018
	<i>Note</i>	<i>S\$'000</i>
ASSETS		
Current assets		
Prepayments	19	<u>611</u>
Total assets		<u><u>611</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital		—*
Accumulated losses		<u>(1,917)</u>
Total equity		<u><u>(1,917)</u></u>
LIABILITIES		
Current liabilities		
Other payables	23	585
Amount due to a subsidiary		<u>1,943</u>
Total liabilities		<u><u>2,528</u></u>
Total equity and liabilities		<u><u>611</u></u>

* Amount less than SGD 1,000

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Company		
		Combined capital	Retained profits	Total equity
	<i>Note</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
As at 1 April 2015		1,500	8,955	10,455
Profit for the year		—	4,021	4,021
As at 31 March 2016		<u>1,500</u>	<u>12,976</u>	<u>14,476</u>
As at 1 April 2016		1,500	12,976	14,476
Profit for the year		—	3,250	3,250
As at 31 March 2017		<u>1,500</u>	<u>16,226</u>	<u>17,726</u>
As at 1 April 2017		1,500	16,226	17,726
Profit for the year		—	4,498	4,498
Dividends	26	—	(6,000)	(6,000)
As at 31 March 2018		<u>1,500</u>	<u>14,724</u>	<u>16,224</u>
As at 1 April 2018		1,500	14,724	16,224
Profit for the period		—	57	57
As at 30 September 2018		<u>1,500</u>	<u>14,781</u>	<u>16,281</u>
(Unaudited)				
As at 1 April 2017		1,500	16,226	17,726
Profit for the period		—	2,428	2,428
As at 30 September 2017		<u>1,500</u>	<u>18,654</u>	<u>20,154</u>

(D) COMBINED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 March			Six months ended 30 September	
		2016 <i>S\$'000</i>	2017 <i>S\$'000</i>	2018 <i>S\$'000</i>	2017 <i>S\$'000</i>	2018 <i>S\$'000</i>
					(Unaudited)	
Cash flows from operating activities						
Net cash generated from operations	27(a)	7,097	5,820	3,385	3,013	4,079
Income tax paid		(26)	(265)	(576)	(576)	(934)
Interest received		—	—	20	9	—
		<u>—</u>	<u>—</u>	<u>20</u>	<u>9</u>	<u>—</u>
Net cash generated from operating activities		<u>7,071</u>	<u>5,555</u>	<u>2,829</u>	<u>2,446</u>	<u>3,145</u>
Cash flows from investing activities						
Purchase of property, plant and equipment	27(b)	(1,435)	(949)	(571)	(380)	(471)
Purchase of intangible assets		—	—	—	—	(112)
Addition in fixed deposit		—	—	—	—	(100)
Proceeds from disposal of investment properties		—	—	—	—	2,455
Proceeds from disposal of property, plant and equipment	27(b)	48	30	12	12	78
		<u>48</u>	<u>30</u>	<u>12</u>	<u>12</u>	<u>78</u>
Net cash (used in)/generated from investing activities		<u>(1,387)</u>	<u>(919)</u>	<u>(559)</u>	<u>(368)</u>	<u>1,850</u>
Cash flows from financing activities						
Repayment of finance lease liabilities	27(c)	(1,620)	(2,210)	(1,334)	(838)	(243)
Drawdown of bank borrowings	27(c)	115	—	—	—	—
Repayments of bank borrowings	27(c)	(546)	(131)	(95)	(48)	(49)
Repayment on amounts due to directors		(69)	(583)	(222)	(154)	(753)
Interest paid		(123)	(93)	(36)	(34)	(17)
Dividends paid		—	—	—	—	(6,000)
Deferred listing expenses		—	—	—	—	(587)
		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(587)</u>
Net cash used in financing activities		<u>(2,243)</u>	<u>(3,017)</u>	<u>(1,687)</u>	<u>(1,074)</u>	<u>(7,649)</u>
Net increase/(decrease) in cash and cash equivalents		3,441	1,619	583	1,004	(2,654)
Cash and cash equivalents at beginning of the year/period		<u>510</u>	<u>3,951</u>	<u>5,570</u>	<u>5,570</u>	<u>6,153</u>
Cash and cash equivalents at end of the year/period	21(a)	<u>3,951</u>	<u>5,570</u>	<u>6,153</u>	<u>6,574</u>	<u>3,499</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Pipeline Engineering Holdings Limited (formerly known as Astute Prosper Holding Limited and Pipeline Technologies Holdings Limited) (“the Company”) was incorporated on 17 July 2018 in the Cayman Islands as an exempted Company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company’s registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding Company. The Company and its subsidiaries (the “Group”) are principally engaged in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries services (the “Listing Businesses”).

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the Listing Business was carried out by HSC Pipeline Engineering Pte Ltd (“HSC Pipeline”) (the “Operating Company”). The Operating Company was controlled by Mr. Michael Shi Guan Wah (the “Controlling Shareholder”), throughout the Track Record Period.

In preparing for listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation to add holding company and immediate holding company and transfer the Listing Business to the Group principally through the following steps:

(i) ***Transfer of one share in HSC Pipeline from Ms. Oh Lay Guat (“Ms Oh”), the spouse of the Controlling Shareholder to the Controlling Shareholder***

On 10 May 2018, Ms Oh transferred her one share in HSC Pipeline to the Controlling Shareholder in consideration of S\$1.00.

(ii) ***Incorporation of the Company***

On 17 July 2018, the Company was incorporated in the Cayman Islands and held by Astute Prosper Limited.

(iii) ***Incorporation of Integral Virtue Limited (“Integral Virtue”)***

On 10 July 2018, Integral Virtue was incorporated in the BVI with limited liability. On 1 August 2018, the Company subscribed for, and Integral Virtue allotted and issued 1 share to the Company.

(iv) ***Transfer of shares in HSC Pipeline from the Controlling Shareholder to Integral Virtue***

On 14 February 2019, the Controlling Shareholder transferred his entire interest in HSC Pipeline to Integral Virtue, the wholly owned subsidiary of the Company. The consideration is settled by the Company’s share to Astute Prosper Limited at the direction of Controlling Shareholder.

After the completion of the reorganisation steps as described above, the Company became the holding company of HSC Pipeline and the subsidiaries now comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following principal subsidiaries:

Name	Principal activities	Country of business/ incorporation	Date of incorporation	Issued and paid up capital	Effective interest held by the Group as at				
					31 March 2016	31 March 2017	30 September 2018	the date of 2018	the date of this report
					%	%	%	%	%
Directly held by the Company									
Integral Virtue ¹	Investment holding	BVI	10 July 2018	US dollar ("US\$") ¹	N/A	N/A	N/A	N/A	100
Indirectly held by the Company									
HSC Pipeline ²	Infrastructure pipeline construction and related engineering services	Singapore	12 January 1993	S\$1,500,000	100	100	100	100	100

¹ No audited financial statements have been issued for this subsidiary as it is not required to issue audited financial statements under the relevant statutory requirements of its place of incorporation.

² The statutory financial statements of this subsidiary for the year ended 31 March 2016 and 2017 were audited by Wu Chiaw Ching & Company. The statutory financial statements of this subsidiary for the year ended 31 March 2018 was audited by PwC Singapore.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by the Operating Company. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in the Listing Business management of such business and the ultimate owner of the Listing Business remain the same. Accordingly, the combined financial information of the subsidiaries now comprising the Company is a continuation of the Listing Business and presented using the carrying values of the Listing Business for all periods presented. For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of HSC Pipeline with assets and liabilities of the Company recognised and measured at the carrying amounts of the Listing Business under the financial statement of HSC Pipeline for all period presented.

Inter-group transactions, balances and unrealised gains/losses on transactions between subsidiaries now comprising the Group are eliminated upon combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board (the "IASB"). The Historical Financial Information have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 April 2018, are consistently applied to the Group throughout the Track Record Period including:

(i) *IFRS 9*

IFRS 9, "Financial instruments", addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL where the simplified approach is adopted. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The Group has the following financial assets subject to the expected credit loss impairment model under IFRS 9:

- trade receivables and contract assets recognised under IFRS 15;
- other receivables at amortised cost.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime credit loss provision for trade and other receivables and contract assets. To measure the expected credit losses, trade and other receivables and contract assets have been grouped based on shared credit risk, characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data. The Group assessed the expected credit loss rate to be negligible based on the historical loss rates for all categories of customers and adjusted for forward-looking macroeconomic data. Thus, the implementation of IFRS 9 is not expected to result in any significant impact on the amounts reported in respect of the Group's financial performance and position.

The details of accounting policies for financial instruments under the IFRS 9 is as disclosed in Note 2.9.

(ii) *IFRS 15*

IFRS 15, "Revenue from contracts with customers", establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue and IAS 11 Construction Contracts and the related Interpretations on revenue recognition. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The details of accounting policies for revenue recognition under the IFRS 15 is as disclosed in Note 2.20.

The following are standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2019, but have not been early adopted by the Group.

		Effective for accounting periods beginning on or after	Note
Amendment to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements 2015–2017 Cycle	1 April 2019	
IFRS 16	Leases	1 April 2019	i
IFRIC-Int 23	Uncertainty over Income Tax Treatments	1 April 2019	
Amendment to IAS 28	Investment in Associates and joint ventures	1 April 2019	
Amendment to IAS 19	Plan Amendment, Curtailment or Settlement	1 April 2019	
Amendment to IFRS 3	Definition of business	1 April 2020	
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 April 2020	
IFRS 17	Insurance Contracts	1 April 2021	
IAS 28 and IFRS 10 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Date to be determined by the IASB	

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards when they become effective. Management is in the process of assessing the impact of these new standards, amendments and interpretations to existing standards and set out below are the expected impact on the Group's financial performance and position.

Note i:

IFRS 16 "Leases" — The Group is a lessee of its various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.21. As at 30 September 2018, the Group has aggregate minimum lease payments, which are not reflected in the combined statements of financial position, under non-cancellable operating lease of S\$134,000 as set out in Note 28(c).

IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the combined statements of financial position. Instead, all long-term leases must be recognised in the combined statements of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the combined statements of financial position. In the combined statements of profit or loss, lease will be recognised in the future as depreciation and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while depreciation and the interest expense will increase. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to be applied by the Group until the financial year ending 31 March 2020. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Given that the total non-cancellable operating lease commitments account for less than 1% of the total liabilities of the Group as at 30 September 2018, the Directors of the Company do not expect that the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial position. The Group also anticipates that the net impact (as a

result of the combination of the interest expense arising from the lease liabilities and the amortisation of the right-to-use assets as compared to the rental expenses under existing standard) on the Group's financial performance will not be material. The Group has disclosed its non-cancellable operating lease commitments in Note 28(c).

The Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information. The Group intends to apply the practical expedient under this modified approach and not to reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. The Group also intends to adopt the practical expedient of not to apply the requirement of IFRS 16 to short-term leases (i.e. where lease term is 12 months or less) and to leases of low-value assets (including assets with a value of \$5,000 or less when new), in which case the rental expenses would continue to be recognised on a systematic basis over the lease terms.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are combined from the date on which control is transferred to the Group. They are decombined from the date that control ceases.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Group on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Historical Financial Information is presented in Singapore Dollar ("S\$"), which is functional currency of the entities in the Group and presentation currency of the Group's combined financial information.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the combined financial statements, currency translation differences arising from bank borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to bank borrowings and finance leases are presented in the combined income statements within "finance costs". All other foreign exchange gains and losses impacting profit or loss are presented in the combined income statements within "other gains/(losses)".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;
- (ii) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Intangible assets

(a) Acquired computer software license

Acquired computer software licenses are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to combined statements of profit or loss using the straight-line method over their estimated useful lives of 3 years.

The amortisation period and amortisation method of intangible assets are reviewed at least at the end of each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Leasehold improvements	5 years
Leasehold properties	9 years
Plant and machinery	5 to 10 years
Furniture and office equipment	3 to 10 years
Motor vehicles	3 to 10 years

No depreciation is provided for construction-in-progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains/losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses)" in the combined statements of profit or loss and total comprehensive income.

2.7 Investment properties

Investment properties include leasehold buildings that are held for long term rental yields and/or for capital appreciation and land under operating leases that are held for long-term capital appreciation or for a currently indeterminate use, and where an insignificant portion is held for the Group's own occupation. Investment properties comprise completed investment properties and properties under construction or development for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in the profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or inception of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the reporting period.

Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows;
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The Group classifies its financial assets at amortised cost.

See Note 17 for details about categories of financial assets at amortised cost.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, the Group applies either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition then impairment is measured as lifetime expected credit losses.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value cost is determined using the weighted average method, the cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes bank borrowing costs, net realisable value is the estimated selling price, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax from the proceeds.

2.14 Trade, other payables and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade, other payables and accruals are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Provisions

Provisions are recognised when the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

When 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 benefit is remote. Possible obligations, whose existence 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 economics benefit is remote.

2.16 Bank borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in combined statements of profit or loss and comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to

the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the combined statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Bank borrowings costs

Bank borrowings costs are recognised in profit or loss using the effective interest method.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the taxation authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(d) *Investment tax credit*

The Group accounts for investment tax credits (for example, productivity and innovative credit (PIC)) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.19 Employee benefits

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. Specific criteria where revenue is recognised are described below.

(a) Revenue from construction contract

The Group is a main contractor specialising in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries in Singapore. A contract with a customer is classified by the Group as a construction contract when the contract relates to work on assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

The Group has primary responsibility to fulfilment of the contract due to the integration of construction works that the Group assumes primary responsibility for the quality management and completion, and has discretion in selecting subcontractors and discretion of the pricing for subcontractor.

The Group has to identify the performance obligations in contract. A performance obligation is a promise in a contract to transfer a good or service to a customer. Generally, an infrastructural pipeline construction contract will provide a significant integration services including purchase of materials, arrangement of subcontractor and labour for the provision of construction services and the good and services within the contract will be highly dependent on or highly integrated with other goods or services. As such, different elements of a construction contract are accounted as a single performance obligation. The Group treated all of the construction contracts as a single performance obligation as the construction works are not capable of being distinct.

When determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose. The Group assessed that there is no significant financing component in construction contracts as the payment schedule commensurates closely to Group's performance. Therefore, transaction price is not adjusted for any financing component. Under IFRS 15, revenue is recognised when, or as, performance obligations are satisfied through transfer of control of goods or services to a customer. A performance obligation is satisfied over time when at least one of the following three criteria is met: (1) The customer receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; (3) the Group's performance does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group recognises the revenue over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group recognised the revenue from the contract progressively over time using the input method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group suffering contractual penalties or liquidated damages for late completion are taken into account in estimating contract transaction prices, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The contractual penalties, or liquidated damages and modification of contracts are treated as variable consideration under IFRS 15 and the amounts are included in revenue to the extent that it is highly probable that contract revenue will not reverse. The Group undertakes continuing reassessment for variable considerations.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2.15.

There is generally no material cost of obtaining contracts of the Group.

A contract asset is recognised when the amount of revenue recognised is more than the amount received but without unconditional right to receive payment (receivable). Contract assets are assessed for expected credit losses (ECL) model and are reclassified to receivables when the right to the consideration has become unconditional. A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. The Group recognises contract liabilities when the Group received consideration arising from initial deposit, progress and final payment were received or has right to

receive such payments before the Group transfers a good or service to the customer. In such cases, a corresponding receivable would also be recognised. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Retention receivables are settled in accordance with the terms of the respective contracts. Retention receivables are classified as contract assets when the portion is related to the uncompleted contracts. All the retention receivables during Track Record Period are related to the uncompleted contracts.

(b) *Other income*

(i) Interest income

Interest income is recognised using the effective interest method when a receivables is impaired, the Group reduces the carrying amount to its receivable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continuous unwinding the discount at interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the terms of the leases.

2.21 Leases

Where the Group is lessee

(a) *Finance leases*

Leases of assets in which the Group assumes substantially the risks and rewards of ownership, including hire purchase contracts, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in bank borrowings. The interest element of the finance cost is taken to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on remaining balance of the liability for each period.

(b) *Operating leases*

Leases of assets in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Where the Group is lessor

Operating leases:

Assets leased out under operating leases are included in investment properties and are stated at fair value and not depreciated. Rental income (net of any incentives given to lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

2.22 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to assets are deducted against the carrying amount of the assets.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's finance statements in the period in which dividends are approved by the Company's shareholders or directors, where appropriate.

2.24 Contingent liabilities

A contingent liability is:

- (a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence and non-occurrence of one or more uncertain future events not wholly within the control of the Group.
- (b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probably that an outflow of resources embodying economic benefit will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the balance sheet of the Group.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including currency risk and interest risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk*(i) Foreign currency risk*

Most of the income and expenditures of the Group are denominated in S\$, being the functional currency of the subsidiaries now comprising the Group, and hence, the Group does not have any material foreign exchange exposure. The Group used instruments or arrangements to hedge against currency exchange fluctuations for the year/period under review. As at 31 March 2016, 2017 and 2018 and 30 September 2018, the Group did not have any outstanding hedging instruments.

(ii) Interest rate risk

The Group has no significant interest-bearing assets except for cash at bank and fixed deposit, which earn interest income. The Group's exposures to change in interest rates are mainly attributable to its bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

If interest rates on bank borrowings had been 100 basis points fluctuated with all other variables held constant, the Group's post-tax profit for the year ended 31 March 2016, 2017 and 2018 and period ended 30 September 2018 would have been affected by S\$42,000, S\$20,000, S\$6,000 and S\$6,000 respectively.

(b) Credit risk

Credit risk refer to the risk that the counter-party will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash at banks, trade and other receivables and fixed deposits. For trade receivables, the Group adopts policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counter-parties.

Majority of bank balances and fixed deposits are deposited with reputable banks. Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Therefore, these balances are not impaired.

Credit exposure to an individual counter-party is restricted by credit limits that are approved by the directors based on on-going credit evaluation. The counter-party's payment profile and credit exposure are continuously monitored by the directors of the Group. The Group has assessed that there are no credit risk arising from its other receivables.

For trade receivables, the Group is exposed to concentration of credit risk as at 31 March 2016, 2017 and 2018 and 30 September 2018 from the Group's top five customers accounted for 100%, 100%, 96% and 99% of the total trade receivables balance, respectively. The major customers of the Group are reputable organisations which comprise mainly (i) gas, water, telecommunications and power utility companies in the private sector; and (ii) Singapore government agencies such as those governing water utility and catchment in the public sector. Management considers that the credit risk is limited in this regard.

The Group uses IFRS 9 simplified approach for measuring the expected credit losses, which use a lifetime expected loss allowance for all trade receivables.

The credit risk for cash at bank fixed deposit, trade and other receivables and based on the information provided to key management is as follows:

(i) Financial assets that are neither past due nor impaired

Cash at banks and fixed deposit that are neither past due nor impaired are mainly deposits with regulated banks. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired. On that basis, the Group determined that there are no expected credit loss provision required for trade receivables and contract assets as at 30 September 2018 and 31 March 2018 (on adoption of IFRS 9) based on historical recoverability experience and creditability of its debtors.

On that basis, the Group determined that there are no expected credit loss provision required for trade receivables and contract assets as at 30 September 2018 and 1 April 2018 (on adoption of IFRS 9) based on historical recoverability experience and creditability of its debtors.

The aging analysis of trade receivables is disclosed in Note 19 of this Historical Financial Information.

(c) Liquidity risk

Liquidity or funding risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages its liquidity risk by ensuring the availability of funding through its ability to operate profitably, maintaining sufficient cash to enable it to meet its normal operating commitments, having adequate amount of committed credit facilities. The fair value of non-current financial liabilities are determined from the cash flows analyses, discounted at market bank borrowing rates of an equivalent instrument at reporting date.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year S\$'000	1–5 years S\$'000	More than 5 years S\$'000	Total S\$'000
As at 31 March 2016				
Finance lease liabilities	2,245	1,311	—	3,556
Bank borrowings	153	451	300	904
Trade, other payables and accruals (excluding goods and services tax payables and advances received from customers)	5,067	—	—	5,067
Amounts due to directors	1,558	—	—	1,558
	<u>9,023</u>	<u>1,762</u>	<u>300</u>	<u>11,085</u>
As at 31 March 2017				
Finance lease liabilities	1,352	26	—	1,378
Bank borrowings	113	451	187	751
Trade, other payables and accruals (excluding goods and services tax payables and advances received from customers)	3,382	—	—	3,382
Amounts due to directors	975	—	—	975
	<u>5,822</u>	<u>477</u>	<u>187</u>	<u>6,486</u>
As at 31 March 2018				
Finance lease liabilities	26	—	—	26
Bank borrowings	113	451	78	642
Trade, other payables and accruals (excluding goods and services tax payables and advances received from customers)	2,040	—	—	2,040
Dividends payable	6,000	—	—	6,000
Amounts due to directors	753	—	—	753
	<u>8,932</u>	<u>451</u>	<u>78</u>	<u>9,461</u>
As at 30 September 2018				
Finance lease liabilities	767	566	—	1,333
Bank borrowings	100	429	23	552
Trade, other payables and accruals (excluding goods and services tax payables and advances received from customers)	4,116	—	—	4,116
	<u>4,983</u>	<u>995</u>	<u>23</u>	<u>6,001</u>

(d) Capital risk

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder 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. The Group currently does not adopt any formal dividend policy.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

Gearing has a significant influence on the Group's capital structure and the Group monitors capital using a gearing ratio. The gearing ratio is calculated as total debt divided by total equity. Total debt is calculated as the sum of bank borrowings, amounts due to directors and finance lease liabilities. The Group manages its gearing ratio by regularly monitoring its current and expected liquidity requirement and adjusting its the capital structure to reflect the change in economic conditions affecting the Group.

As at 31 March 2016, 2017, 2018 and 30 September 2018, the gearing ratios are as follow:

	As at 31 March		As at	
	2016	2017	2018	30 September
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Finance lease liabilities	3,469	1,360	26	1,297
Bank borrowings	819	688	593	544
Amounts due to directors	1,558	975	753	—
Total debt	5,846	3,023	1,372	1,841
Total equity	14,476	17,726	16,224	16,281
Gearing ratio	40.4%	17.1%	8.5%	11.3%

The gearing ratio as at 31 March 2016, 2017 and 2018 decreased gradually which was mainly attributable to the decrease in the outstanding balances of debts, including borrowings and finance lease liabilities. The gearing ratio increased marginally from 8.5% as at 31 March 2018 to 11.3% as at 30 September 2018 is mainly attributable to the additions in finance lease liabilities.

A subsidiary of the Company has borrowing that is subject to covenant of a loan-to-value ratio below 80% and to maintain a net worth of at least \$2.74 million. The loan-to-borrowing ratio refers to the ratio of loan amount over the market value of Property A. Net worth is defined as the sum of the subsidiary's paid-up capital and retained profits. The directors of the Company confirmed that they had neither experienced any difficulties in obtaining or repaying the loan, nor breached any major covenant in this regard.

(e) Fair value estimation

Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3: unobservable inputs for the asset or liability.

The carrying amounts of the Group's current financial assets, including trade and other receivables, cash and bank balances, fixed deposits and; current financial liabilities, including trade payables, other payables and accruals and bank borrowings, approximate their fair values as at the reporting date due to their short term maturities. The carrying value of non-current financial assets and liabilities approximate its fair value as at the reporting date.

The Group's non-financial assets measured at fair value, including investment properties, are included in level 3 as there are significant unobservable inputs in the valuation technique.

Fair value measurements of investment properties under Level 3 fair value hierarchy

Investment properties are carried at fair values at the end of reporting date as determined by independent professional valuers. Valuations are made at each financial statements date based on the properties' highest-and-best-use using the Direct Comparison Method that considers sales of similar properties that have been transacted in the open market. The most significant input into this valuation approach is selling price per square metre. The valuation report and fair value changes are reviewed by the directors at each reporting date.

The fair value estimation process and technique of investment properties are disclosed in Note 16.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

The Group recognise revenue based on the estimated stage of completion of the contracts according to the contract costs incurred to date compared to the estimated total cost for the contract. Estimated construction revenue is determined with reference to the terms of the relevant contracts. Contract costs which mainly comprise subcontractor cost, material cost and labour cost are estimated by the management on the basis of quotations from time to time provided by the major subcontractors and suppliers and the historical experience on similar projects.

The Group reviews and revises the estimates of both contract revenue and costs for each construction contract as the contract progresses. Significant judgement is used to estimate total contract costs to complete. The actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

5 SEGMENT INFORMATION

The Company's executive directors monitor the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment.

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider the segment from a business perspective. As the Group has only one operating segment that qualifies as reporting segment under IFRS 8 and the information that is regularly reviewed by the executive directors for the purposes of allocating resources and assessing performance of the operating segment is the combined financial statements of the Group, no separate segmental analysis is presented.

The executive directors assess the performance based on a measure of profit after income tax, and consider all business is included in a single operating segment.

Revenue reported in Note 6 below represented transactions with third parties and are reported to the executive directors in a manner consistent with that in the combined statements of profit or loss.

All of the Group's activities are carried out in Singapore and all of the Group's assets and liabilities are located in Singapore and all the revenue are derived from external customers in Singapore for the years ended 31 March 2016, 2017, and 2018 and the six months ended 30 September 2017 and 2018, respectively. Accordingly, no analysis by geographical basis for the Track Record Period is presented.

For the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2017 and 2018, there were two, two, four and five customers, respectively, which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2017 and 2018, the revenue contributed from each of these customers was as follows:

	Year ended 31 March			Six months ended 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000 (Unaudited)	2018 S\$'000
Customer A	20,941	21,050	13,337	7,918	2,731
Customer B	4,294	5,454	7,047	3,464	3,833
Customer C	N/A	N/A	N/A	N/A	1,804
Customer D	N/A	N/A	N/A	N/A	1,506
Customer E	N/A	N/A	N/A	N/A	3,413

For the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2017 and 2018, revenue from our five largest customers amounted to S\$29,429,000, S\$28,391,000, S\$22,482,000, S\$11,900,000 and S\$13,289,000 respectively.

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors to assess the performance of the business.

6 REVENUE

	Year ended 31 March			Six months ended 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000 (Unaudited)	2018 S\$'000
Contract revenue relating to:					
Gas	20,942	21,053	13,337	7,918	2,731
Water	5,675	6,116	9,066	3,685	6,374
Cable	2,885	1,239	1,016	305	5,036
	<u>29,502</u>	<u>28,404</u>	<u>23,419</u>	<u>11,908</u>	<u>14,141</u>
Timing of revenue recognition:					
Over time	<u>29,502</u>	<u>28,408</u>	<u>23,419</u>	<u>11,908</u>	<u>14,141</u>

The following table shows unsatisfied performance obligations resulting from contracts and when the Group expects to recognise as revenue:

	As at 31 March			As at 30 September
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied:				
Within 1 year after reporting period	24,206	20,370	15,609	32,965
Between 1 to 2 years after reporting period	9,013	11,289	4,245	13,447
More than 2 years after reporting period	3,055	4,245	754	—
	<u>36,274</u>	<u>35,904</u>	<u>20,608</u>	<u>46,412</u>

7 OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Rental income	137	207	185	109	45
Interest income	—	—	20	9	—
Government grants	89	162	153	111	34
Insurance claims	68	165	60	—	2
Others	118	123	77	4	178
	<u>412</u>	<u>657</u>	<u>495</u>	<u>233</u>	<u>259</u>

Government grants of S\$89,000, S\$162,000, S\$153,000, S\$111,000 and S\$34,000 are recognised during the years ended 31 March 2016, 2017 and 2018 and the six months ended 30 September 2017 and 2018. There are no unfulfilled condition or other contingencies attaching to these grants.

8 OTHER GAINS/(LOSSES)

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Gains/(losses) on disposal of property, plant and equipment	40	1	12	12	(16)
Write off of property, plant and equipment	(5)	(137)	(226)	—	(11)
Foreign exchange (losses)/gains	(8)	(1)	(4)	4	(9)
	<u>27</u>	<u>(137)</u>	<u>(218)</u>	<u>16</u>	<u>(36)</u>

9 EXPENSES BY NATURE

	Year ended 31 March			Six months ended 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000 (Unaudited)	2018 S\$'000
Material costs	5,270	6,917	4,094	2,238	3,672
Subcontractor costs	7,467	5,397	2,527	1,209	1,258
Freight forwarding and transportation costs	1,315	1,018	305	198	274
Auditor's remuneration					
— Audit services	6	10	15	4	40
Entertainment expenses	14	22	23	8	10
Rental expenses	499	469	232	153	128
Depreciation of property, plant and equipment (Note 14)	1,807	1,826	1,823	954	920
Amortisation of intangible asset (Note 15)	—	—	—	—	16
Professional fees	32	8	10	9	49
Vehicle-related expenses	463	495	533	291	441
Repair and maintenance expenses	675	919	844	299	253
Employee benefit costs (Note 10)	5,940	6,518	6,617	3,232	3,794
Listing expenses	—	—	—	—	1,924
Other expenses	1,345	1,387	1,281	680	1,073
	<u>24,833</u>	<u>24,986</u>	<u>18,304</u>	<u>9,275</u>	<u>13,852</u>
Total cost of sales and administrative expenses					
	<u>24,833</u>	<u>24,986</u>	<u>18,304</u>	<u>9,275</u>	<u>13,852</u>
Represented by:					
Cost of sales	22,491	22,690	16,021	8,253	10,502
Administrative expenses	2,342	2,296	2,283	1,022	3,350
	<u>24,833</u>	<u>24,986</u>	<u>18,304</u>	<u>9,275</u>	<u>13,852</u>

10 EMPLOYEE BENEFIT COSTS — INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses during the years/periods are as follows:

	Year ended 31 March			Six months ended 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000 (Unaudited)	2018 S\$'000
Wages, salaries and allowances	5,667	6,237	6,310	3,102	3,632
Retirement benefit costs — defined contribution plans	273	281	307	130	162
	<u>5,940</u>	<u>6,518</u>	<u>6,617</u>	<u>3,232</u>	<u>3,794</u>

Employee benefits expenses have been included in combined statements of profit or loss as follows:

	Year ended 31 March			Six months ended 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000 (Unaudited)	2018 S\$'000
Cost of sales	4,773	5,315	5,447	2,742	2,801
Administrative expenses	<u>1,167</u>	<u>1,203</u>	<u>1,170</u>	<u>490</u>	<u>993</u>
	<u>5,940</u>	<u>6,518</u>	<u>6,617</u>	<u>3,232</u>	<u>3,794</u>

(b) Five highest paid individuals

For the years ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2017 and 2018, the five individuals whose emoluments were the highest in the Group include 2, 2, 3, 2 and 2 directors respectively, whose emolument are reflected in the analysis as shown in Note 10(c). The emoluments paid/payable to the remaining include 3, 3, 2, 3 and 3 individuals, respectively, during the years ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2017 and 2018 are as follows:

	Year ended 31 March			Six months ended 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000 (Unaudited)	2018 S\$'000
Wages, salaries and benefits in kind	284	275	207	148	152
Bonuses	128	138	131	—	—
Retirement benefit costs — defined contribution plans	<u>29</u>	<u>37</u>	<u>35</u>	<u>18</u>	<u>19</u>
	<u>441</u>	<u>450</u>	<u>373</u>	<u>166</u>	<u>171</u>

The emoluments of the highest paid individuals fell within the following bands:

	Year ended 31 March			Six months ended 30 September	
	Number of individuals			2017 (Unaudited)	2018
Emolument band	2016	2017	2018		
HK\$0–HK\$1,000,000	<u>2</u>	<u>2</u>	<u>—</u>	<u>3</u>	<u>3</u>
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>1</u>	<u>2</u>	<u>—</u>	<u>—</u>

(c) Directors' emoluments

The remuneration of every director for the year ended 31 March 2016 is set out below:

Name of director	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Employer's contribution to defined contribution plans S\$'000	Discretionary bonuses S\$'000	Total S\$'000
Executive directors					
Mr. Michael Shi Guan Wah (Chief executive)	—	126	13	11	150
Mr. Shi Guan Lee	—	101	18	68	187
Mr. Shi Hong Sheng	—	46	11	20	77
	—	273	42	99	414

The remuneration of every director for the year ended 31 March 2017 is set out below:

Name of director	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Employer's contribution to defined contribution plans S\$'000	Discretionary bonuses S\$'000	Total S\$'000
Executive directors					
Mr. Michael Shi Guan Wah (Chief executive)	—	126	14	11	151
Mr. Shi Guan Lee	—	101	12	70	183
Mr. Shi Hong Sheng	—	49	13	25	87
	—	276	39	106	421

The remuneration of every director for the year ended 31 March 2018 is set out below:

Name of director	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Employer's contribution to defined contribution plans S\$'000	Discretionary bonuses S\$'000	Total S\$'000
Executive directors					
Mr. Michael Shi Guan Wah (Chief executive)	—	126	11	11	148
Mr. Shi Guan Lee	—	104	17	70	191
Mr. Shi Hong Sheng	—	53	14	30	97
	—	283	42	111	436

The remuneration of every director for the six months ended 30 September 2017 is set out below:

(Unaudited) Name of director	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Employer's contribution to defined contribution plans S\$'000	Other benefits S\$'000	Total S\$'000
Executive directors					
Mr. Michael Shi Guan Wah (Chief executive)	—	63	5	—	68
Mr. Shi Guan Lee	—	51	6	—	57
Mr. Shi Hong Sheng	—	26	4	—	30
	—	140	15	—	155

The remuneration of every director for the six months ended 30 September 2018 is set out below:

Name of director	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Employer's contribution to defined contribution plans S\$'000	Other benefits S\$'000	Total S\$'000
Executive directors					
Mr. Michael Shi Guan Wah (Chief executive)	—	63	5	—	68
Mr. Shi Guan Lee	—	53	6	—	59
Mr. Shi Hong Sheng	—	35	6	—	41
	—	151	17	—	168

11 FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000	2018 S\$'000
				(Unaudited)	
Hire purchase	97	69	18	18	10
Bank borrowings	26	24	18	16	7
	123	93	36	34	17

12 INCOME TAX EXPENSE

Tax has been provided at the applicable Singapore statutory corporate tax rate of 17% on the estimated assessable profit during the Track Record Period.

The amount of income tax expense charged to the combined statements of comprehensive income represents:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Current income tax					
Current tax for the year	721	477	810	447	348
Deferred income tax (<i>Note 18</i>)	133	(128)	(27)	(27)	90
Income tax expense	854	349	783	420	438

The tax on the Group's profit before income tax differs from the theoretical amount as follows:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Profit before tax	4,875	3,599	5,281	2,848	495
Tax calculated at rate of 17%	829	612	898	484	84
Tax effect of:					
— expenses not deductible for tax purposes	145	—	—	—	374
— income not subject to tax	—	(189)	(72)	(41)	—
Tax incentive (<i>i</i>)	(69)	(33)	(7)	(4)	(2)
Partial tax exemption (<i>ii</i>)	(26)	(26)	(26)	(14)	(18)
Tax rebates (<i>iii</i>)	(25)	(15)	(10)	(5)	—
Income tax expense	854	349	783	420	438

- (i) Tax incentives relate to Productivity and Innovation Credit Scheme (PIC) which allows entities to claim 400% tax deduction on qualifying expenditures.
- (ii) Partial tax exemption relates to tax exemption of 75% the first S\$100,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income during the Track Record Period.
- (iii) Tax rebates relate to tax reduction to tax payable capped at S\$25,000, S\$15,000, S\$10,000 and nil for financial year ended 2016, 2017, 2018 and six months ended 30 September 2018 for each Singapore incorporated entity.

13 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 for the Track Record Period on a combined basis as set out in Note 1.3 of this section.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements S\$'000	Leasehold properties S\$'000	Plant and machinery S\$'000	Furniture and office equipment S\$'000	Motor vehicles S\$'000	Total S\$'000
<i>Cost</i>						
As at 1 April 2015	404	4,631	8,335	253	3,258	16,881
Additions	—	—	1,919	23	1,543	3,485
Written off	—	—	—	—	(61)	(61)
Disposals	—	—	(30)	—	(398)	(428)
As at 31 March 2016	404	4,631	10,224	276	4,342	19,877
<i>Accumulated depreciation and impairment losses</i>						
As at 1 April 2015	323	2,058	2,704	153	2,540	7,778
Depreciation for the year (Note 9)	81	515	867	31	313	1,807
Written off	—	—	—	—	(56)	(56)
Disposals	—	—	(30)	—	(390)	(420)
As at 31 March 2016	404	2,573	3,541	184	2,407	9,109
<i>Net book value</i>						
As at 31 March 2016	—	2,058	6,683	92	1,935	10,768
<i>Cost</i>						
As at 1 April 2016	404	4,631	10,224	276	4,342	19,877
Additions	—	—	581	17	452	1,050
Written off	(11)	—	(410)	(61)	—	(482)
Disposals	—	—	(162)	—	(94)	(256)
As at 31 March 2017	393	4,631	10,233	232	4,700	20,189
<i>Accumulated depreciation and impairment losses</i>						
As at 1 April 2016	404	2,573	3,541	184	2,407	9,109
Depreciation for the year (Note 9)	—	515	940	30	341	1,826
Written off	(11)	—	(275)	(59)	—	(345)
Disposals	—	—	(133)	—	(94)	(227)
As at 31 March 2017	393	3,088	4,073	155	2,654	10,363
<i>Net book value</i>						
As at 31 March 2017	—	1,543	6,160	77	2,046	9,826

	Leasehold improvements <i>S\$'000</i>	Leasehold properties <i>S\$'000</i>	Plant and machinery <i>S\$'000</i>	Furniture and office equipment <i>S\$'000</i>	Motor vehicles <i>S\$'000</i>	Total <i>S\$'000</i>
<i>Cost</i>						
As at 1 April 2017	<u>393</u>	<u>4,631</u>	<u>10,233</u>	<u>232</u>	<u>4,700</u>	<u>20,189</u>
Additions	—	—	111	26	434	571
Written off	—	—	(692)	(12)	(537)	(1,241)
Disposals	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>(214)</u>	<u>(215)</u>
As at 31 March 2018	<u>393</u>	<u>4,631</u>	<u>9,651</u>	<u>246</u>	<u>4,383</u>	<u>19,304</u>
<i>Accumulated depreciation and impairment losses</i>						
As at 1 April 2017	393	3,088	4,073	155	2,654	10,363
Depreciation for the year (Note 9)	—	515	919	30	359	1,823
Written off	—	—	(537)	(11)	(467)	(1,015)
Disposals	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>(214)</u>	<u>(215)</u>
As at 31 March 2018	<u>393</u>	<u>3,603</u>	<u>4,454</u>	<u>174</u>	<u>2,332</u>	<u>10,956</u>
<i>Net book value</i>						
As at 31 March 2018	<u>—</u>	<u>1,028</u>	<u>5,197</u>	<u>72</u>	<u>2,051</u>	<u>8,348</u>
<i>Cost</i>						
As at 1 April 2018	<u>393</u>	<u>4,631</u>	<u>9,651</u>	<u>246</u>	<u>4,383</u>	<u>19,304</u>
Additions	—	—	836	15	1,525	2,376
Written off	—	—	(15)	—	—	(15)
Disposals	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(189)</u>	<u>(189)</u>
As at 30 September 2018	<u>393</u>	<u>4,631</u>	<u>10,472</u>	<u>261</u>	<u>5,719</u>	<u>21,476</u>
<i>Accumulated depreciation and impairment losses</i>						
As at 1 April 2018	393	3,603	4,454	174	2,332	10,956
Depreciation for the period (Note 9)	—	257	453	16	194	920
Written off	—	—	(4)	—	—	(4)
Disposals	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(95)</u>	<u>(95)</u>
As at 30 September 2018	<u>393</u>	<u>3,860</u>	<u>4,903</u>	<u>190</u>	<u>2,431</u>	<u>11,777</u>
<i>Net book value</i>						
As at 30 September 2018	<u>—</u>	<u>771</u>	<u>5,569</u>	<u>71</u>	<u>3,288</u>	<u>9,699</u>

	Leasehold improvements <i>S\$'000</i>	Leasehold properties <i>S\$'000</i>	Plant and machinery <i>S\$'000</i>	Furniture and office equipment <i>S\$'000</i>	Motor vehicles <i>S\$'000</i>	Total <i>S\$'000</i>
(Unaudited)						
<i>Cost</i>						
As at 1 April 2017	393	4,631	10,233	232	4,700	20,189
Additions	—	—	66	14	300	380
Written off	—	—	—	—	—	—
Disposals	—	—	—	—	(12)	(12)
As at 30 September 2017	393	4,631	10,299	246	4,988	20,557
<i>Accumulated depreciation and impairment losses</i>						
As at 1 April 2017	393	3,088	4,073	155	2,654	10,363
Depreciation for the period (<i>Note 9</i>)	—	273	500	15	166	954
Written off	—	—	—	—	—	—
Disposals	—	—	—	—	(12)	(12)
As at 30 September 2017	393	3,361	4,573	170	2,808	11,305
<i>Net book value</i>						
As at 30 September 2017	—	1,270	5,726	76	2,180	9,252

The leasehold property is held over remaining tenure of 2 years ending in 30 October 2020 and is treated as a finance lease. During the Track Record Period, depreciation expense is charged to administrative expenses and cost of sales in the combined statements of profit and loss as follows:

	Year ended 31 March			Six months ended 30 September	
	2016 <i>S\$'000</i>	2017 <i>S\$'000</i>	2018 <i>S\$'000</i>	2017 <i>S\$'000</i>	2018 <i>S\$'000</i>
				(Unaudited)	
Cost of sales	1,135	1,278	1,269	666	642
Administrative expenses	672	548	554	288	278
	1,807	1,826	1,823	954	920

Included within additions in the Historical Financial Information are plant and machinery and motor vehicles acquired under finance leases as follows:

	Year ended 31 March			As at 30 September
	2016 <i>S\$'000</i>	2017 <i>S\$'000</i>	2018 <i>S\$'000</i>	2018 <i>S\$'000</i>
Plant and machinery	1,037	—	—	504
Motor vehicles	1,013	101	—	1,010
	2,050	101	—	1,514

The carrying amounts of plant and machinery and motor vehicles held under finance leases are as follows:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
At net book value				
Plant and machinery	4,131	3,648	—	705
Motor vehicles	1,601	1,421	300	1,379
	<u>5,732</u>	<u>5,069</u>	<u>300</u>	<u>2,084</u>

15 INTANGIBLE ASSET

Computer software

S\$'000

Cost

As at 1 April 2018

—

Additions

112

As at 30 September 2018

112

Accumulated depreciation and Impairment losses

As at 1 April 2018

—

Amortisation for the period (Note 9)

(16)

As at 30 September 2018

(16)

Net book value

As at 30 September 2018

96

16 INVESTMENT PROPERTIES

	Year ended 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
At fair value				
Beginning of the year/period	3,910	3,800	3,550	3,475
Net loss from fair value adjustment	(110)	(250)	(75)	—
Disposal of investment properties	—	—	—	(2,455)
At end of the year/period	<u>3,800</u>	<u>3,550</u>	<u>3,475</u>	<u>1,020</u>

The following amounts are recognised in combined statements of profit or loss:

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
				(Unaudited)	
Rental income	137	207	185	109	45
Direct operating expenses from properties that generated rental income	(63)	(37)	(35)	(11)	(7)
	<u>74</u>	<u>170</u>	<u>150</u>	<u>98</u>	<u>38</u>

The following table analyses the Group's investment properties that are measured subsequent to initial recognition at fair value, grouped into fair value hierarchy level 3 based on the degree to which the inputs to fair value measurement is observable.

The fair value loss is recognised in the combined statements of profit or loss and total comprehensive income.

	Fair value measurements using Significant unobservable inputs (Level 3) S\$'000
As at 31 March 2016	
Recurring fair value measurements:	
Investment properties	<u>3,800</u>
As at 31 March 2017	
Recurring fair value measurements:	
Investment properties	<u>3,550</u>
As at 31 March 2018	
Recurring fair value measurements:	
Investment properties	<u>3,475</u>
As at 30 September 2018	
Recurring fair value measurements:	
Investment properties	<u>1,020</u>

There was no transfer between level 1, 2 and 3 during the Track Record Period.

Valuation processes

The Group's investment properties were valued at respective transfer dates and at 31 March 2016, 2017 and 2018 and 30 September 2018 by Jones Lang LaSalle Property Consultants Pte Ltd, an independent and qualified professional valuer not connected to the Group. The valuer holds a recognised relevant professional qualification and has recent experience in valuing similar properties in similar locations and categories of the investment properties being valued.

Valuation technique

Valuations are based on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. The valuation technique is based on direct comparison with recent transactions of comparable properties. By making reference to sales transactions as available in the relevant market, comparable properties

in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size. In estimating the fair value of all of the Group's investment properties, the highest and best use of these properties is their current use. There was no change in valuation technique during the Track Record Period.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 30 September 2018 (S\$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	1,020	Direct comparison approach	Unit rate	S\$5,100 per square meter	The higher the unit rate, the higher the fair value

Description	Fair value at 31 March 2018 (S\$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,475	Direct comparison approach	Unit rate	S\$1,867–S\$5,100 per square meter	The higher the unit rate, the higher the fair value

Description	Fair value at 31 March 2017 (S\$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,550	Direct comparison approach	Unit rate	S\$1,867–S\$5,400 per square meter	The higher the unit rate, the higher the fair value

Description	Fair value at 31 March 2016 (S\$'000)	Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,800	Direct comparison approach	Unit rate	S\$1,919–S\$5,620 per square meter	The higher the unit rate, the higher the fair value

At each reporting end, the Group assesses property valuation movements when compared to prior year valuation report.

Direct comparison approach is based on direct comparison with recent transactions of comparable properties located within the same development subject to appropriate adjustments including but not limited to location, size, condition of buildings and other relevant factors.

The investment properties comprises:

Location & Description	Area sq. metres	Tenure	Fair value			
			As at 31 March			As at
			2016 S\$'000	2017 S\$'000	2018 S\$'000	30 September 2018 S\$'000
Investment Property A	200	60-year	1,120	1,080	1,020	1,020
Investment Property B	114	60-year	345	280	275	N/A
Investment Property C	159	60-year	485	390	380	N/A
Investment Property D	482	60-year	925	900	900	N/A
Investment Property E	482	60-year	925	900	900	N/A
			<u>3,800</u>	<u>3,550</u>	<u>3,475</u>	<u>1,020</u>

Note:

- (a) Property A is mortgaged for bank borrowings, disclosed in Note 25.
- (b) The investment properties are leased to non-related parties under operating leases as at 31 March 2016, 2017 and 2018 and 30 September 2018. Please refer to Note 28 for operating leases to non-related parties.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March			As at
	2016	2017	2018	30 September
	S\$'000	S\$'000	S\$'000	2018 S\$'000
Assets as per combined statements of financial position				
Financial assets at amortised cost				
— Trade and other receivables	4,412	3,785	3,280	2,997
— Cash and cash equivalents and fixed deposit	<u>3,951</u>	<u>5,570</u>	<u>6,153</u>	<u>3,599</u>
Total	<u>8,363</u>	<u>9,355</u>	<u>9,433</u>	<u>6,596</u>
Liabilities as per combined statements of financial position				
Financial liabilities at amortised cost				
— Bank borrowings	819	688	593	544
— Trade, other payables and accruals	5,067	3,382	2,040	4,116
— Finance lease liabilities	3,469	1,360	26	1,297
— Amounts due to directors	1,558	975	753	—
— Dividends payable	<u>—</u>	<u>—</u>	<u>6,000</u>	<u>—</u>
Total	<u>10,913</u>	<u>6,405</u>	<u>9,412</u>	<u>5,957</u>

18 DEFERRED INCOME TAX

The analysis of deferred income tax liability is as follows:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred income tax liability:				
— To be settled after one year	<u>957</u>	<u>829</u>	<u>802</u>	<u>892</u>

The movements in deferred income tax during the Track Record Period are as follows:

Deferred income tax liabilities:

	Accelerated tax depreciation S\$'000
At 1 April 2015	(824)
Charged to profit or loss (<i>Note 12</i>)	<u>(133)</u>
At 31 March 2016	<u>(957)</u>
At 1 April 2016	(957)
Credited to profit or loss (<i>Note 12</i>)	<u>128</u>
At 31 March 2017	<u>(829)</u>
At 1 April 2017	(829)
Credited to profit or loss (<i>Note 12</i>)	<u>27</u>
At 31 March 2018	<u>(802)</u>
At 1 April 2018	(802)
Charged to profit or loss (<i>Note 12</i>)	<u>(90)</u>
At 30 September 2018	<u>(892)</u>

The balance comprises tax on excess of net book value over tax written down value of qualifying property, plant and equipment.

19 TRADE AND OTHER RECEIVABLES

	Group			Company	
	As at 31 March			As at	As at
	2016	2017	2018	30 September 2018	30 September 2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables:					
— Third parties	4,275	3,645	3,141	2,861	—
Prepayments, deposits and other receivables:					
Deposits	105	132	118	136	—
Prepayments	182	213	1,555	187	—
Prepayment for listing expenses	—	—	—	24	24
Deferred listing expenses	—	—	—	587	587
Other receivables	32	8	21	99	—
Total trade and other receivables	<u>4,594</u>	<u>3,998</u>	<u>4,835</u>	<u>3,894</u>	<u>611</u>

Under trade and other receivables, trade receivables, deposit and other receivables are financial assets at amortised cost while prepayments, prepayment for listing expenses, deferred listing expenses and goods and services tax receivables are non-financial assets.

(a) Trade receivables

The Group normally grants credit terms to its customers ranging from 30 to 45 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March			As at
	2016	2017	2018	30 September 2018
	S\$'000	S\$'000	S\$'000	S\$'000
1 to 30 days	4,096	3,586	1,459	505
31 to 60 days	85	—	655	2
61 to 90 days	—	32	102	9
91 to 120 days	93	12	—	—
Over 120 days	<u>1</u>	<u>15</u>	<u>925</u>	<u>2,345</u>
	<u>4,275</u>	<u>3,645</u>	<u>3,141</u>	<u>2,861</u>

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	As at 31 March			As at
	2016	2017	2018	30 September 2018
1 to 30 days	—	32	102	9
31 to 60 days	93	12	—	—
61 to 90 days	1	10	2	—
above 90 days	<u>—</u>	<u>5</u>	<u>923</u>	<u>2,345</u>

The Company's carrying amount of trade receivables has not been subject for impairment subsequent to a debt recovery assessment performance at the end of reporting date. The amount past due above 90 days is mainly pertaining to certain billings which the final settlement amount is still in negotiation with a customer. Those billings are currently being accounted for as deferred revenue and is included in contract liabilities. The management believes that the amounts that are past due are collectible, based on historic payment behaviour and credit-worthiness of the customers.

The carrying amounts of the Group's trade and other receivables are denominated in Singapore Dollar.

Historically, the Group's loss arising credit risk relating to the customers are negligible as the Group's customers comprise mainly (i) gas, water, telecommunications and power utility comprises in the private sector, and (ii) Singapore government agencies such as those governing water utility and catchment in the public sector, the expected credit loss rate for the Group's customers are 0% for the year ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2018 respectively and no impairment loss is recognised at initial recognise. The Group has assessed expected credit loss by grouping the receivables based on shared credit risk characteristics. Accordingly, the Group is of the view that the expected credit loss rate to be consistent throughout the Track Record Period, by taking into consideration of the track record of regular repayment of receivables from the customers over time and also the outlook of economic environment from the perspective of each financial year. The Group assessed that there were no significant change in the actual credit loss rate over the Track Record Period.

20 CONTRACT ASSETS/(LIABILITIES)

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Contract costs incurred plus recognised profits less recognised losses	77,353	105,761	129,181	143,322
Less: progress billings	(72,992)	(102,179)	(124,135)	(137,697)
Balance at end of year/period	<u>4,361</u>	<u>3,582</u>	<u>5,046</u>	<u>5,625</u>
Analysed for reporting purposes as:				
Non-current				
Contract assets	<u>448</u>	<u>—</u>	<u>31</u>	<u>—</u>
Current				
Contracts assets	6,184	5,410	6,183	9,566
Contract liabilities	<u>(2,271)</u>	<u>(1,828)</u>	<u>(1,168)</u>	<u>(3,941)</u>
	<u>3,913</u>	<u>3,582</u>	<u>5,015</u>	<u>5,625</u>
	<u>4,361</u>	<u>3,582</u>	<u>5,046</u>	<u>5,625</u>

Movements in contract liabilities:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
At the beginning of the year/period	358	2,271	1,828	1,168
Billing to/receipt from customers	21,484	12,497	3,251	6,362
Revenue recognised upon the provision of project works	<u>(19,571)</u>	<u>(12,940)</u>	<u>(3,911)</u>	<u>(3,589)</u>
	<u>2,271</u>	<u>1,828</u>	<u>1,168</u>	<u>3,941</u>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in satisfying the respective performance obligations at the reporting date on construction contracts in respect of construction contracts.

The contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customers.

As at 31 March 2016, 2017 and 2018 and 30 September 2018, retention receivables for contract works amounted to S\$448,000, S\$448,000, S\$397,000 and S\$742,000 respectively, are included in contract assets.

Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts.

The Group considered that the ECL for contract assets are negligible as the customers of the Group are reputable organisations.

21 CASH AND BANK DEPOSITS

(a) Cash and cash equivalents

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash at banks	3,951	3,570	6,153	3,499
Short term deposit	—	2,000	—	—
	<u>3,951</u>	<u>5,570</u>	<u>6,153</u>	<u>3,499</u>

The Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
SGD	3,940	5,444	6,143	3,478
USD	11	126	10	21
	<u>3,951</u>	<u>5,570</u>	<u>6,153</u>	<u>3,499</u>

(b) Fixed deposit

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed deposit with maturity > 3 months denominated in SGD	—	—	—	100

22 COMBINED CAPITAL

The Reorganisation has not been completed as at 30 September 2018. For the purpose of this Historical Financial Information, the combined capital in the combined statements of financial position as at 31 March 2016, 2017 and 2018 and 30 September 2018 represents the combined capital of the subsidiaries now comprising the Group after elimination of inter-group investments.

23 TRADE, OTHER PAYABLES AND ACCRUALS

	Group			Company
	As at 31 March		As at	As at
	2016	2017	30 September	30 September
	S\$'000	S\$'000	2018	2018
			S\$'000	S\$'000
<i>Current</i>				
Trade payables				
— Third parties	4,031	2,892	1,773	2,300
Other payables				
— Goods and services tax payables	166	385	209	—
— Advances received from customers	19	26	26	6
— Sundry creditors	25	11	14	391
Accruals	1,011	479	253	834
Accruals for listing expenses	—	—	—	585
Total trade, other payables and accruals	5,252	3,793	2,275	4,116
				585

The carrying amounts of the Group's trade payables are denominated in Singapore dollars. The carrying amounts of trade payables approximate their fair values.

(a) Trade payables

- (i) As at 31 March 2016, 2017, 2018 and 30 September 2018, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 March		As at
	2016	2017	30 September
	S\$'000	S\$'000	2018
			S\$'000
0 to 30 days	2,691	1,112	957
31 to 60 days	738	804	344
61 to 90 days	496	507	317
Over 90 days	106	469	155
	4,031	2,892	1,773
			2,300

24 FINANCE LEASE LIABILITIES

The Group acquired certain plant and machinery and motor vehicles from third parties under finance leases.

The amount payable within one year is included under current liabilities whilst that payable after one year is included under non-current liabilities.

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Gross finance lease liabilities — minimum lease payments				
No later than 1 year	2,245	1,352	26	767
Later than 1 year and no later than 2 years	1,285	26	—	566
Later than 2 years and no later than 5 years	<u>26</u>	<u>—</u>	<u>—</u>	<u>—</u>
	3,556	1,378	26	1,333
Future finance charges on finance leases	<u>(87)</u>	<u>(18)</u>	<u>—</u>	<u>(36)</u>
Present value of finance lease liabilities	<u><u>3,469</u></u>	<u><u>1,360</u></u>	<u><u>26</u></u>	<u><u>1,297</u></u>
The present value of finance lease liabilities is as follows:				
No later than 1 year	2,175	1,334	26	739
Later than 1 year and no later than 2 years	1,268	26	—	558
Later than 2 years and no later than 5 years	<u>26</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>3,469</u></u>	<u><u>1,360</u></u>	<u><u>26</u></u>	<u><u>1,297</u></u>

Effective interest rates

Effective interest rates on the finance leases bears interest between 2.54% and 6.14% per annum during the years ended 31 March 2016, 2017 and 2018; and between 2.59% and 6.14% per annum during the period ended 30 September 2018.

25 BANK BORROWINGS

	As at 31 March		As at 30 September	
	2016	2017	2018	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current, secured				
Bank borrowings				
— Repayable later than 1 year and no later than 2 years	95	98	101	102
— Repayable later than 2 years and no later than 5 years	303	311	319	321
— Repayable later than 5 years	<u>290</u>	<u>184</u>	<u>75</u>	<u>22</u>
	<u>688</u>	<u>593</u>	<u>495</u>	<u>445</u>
Current, secured				
Bank borrowings				
— Repayable no later than 1 year	<u>131</u>	<u>95</u>	<u>98</u>	<u>99</u>
Total bank borrowings	<u><u>819</u></u>	<u><u>688</u></u>	<u><u>593</u></u>	<u><u>544</u></u>

The Group has two banking facilities with financial institutions. Bank borrowings are denominated in Singapore Dollar.

Bank borrowings are separately secured by legal mortgage of an existing leasehold property, Investment Property A and joint and several personal guarantee by Shi Guan Wah and Shi Guan Lee. The personal guarantees by Shi Guan Wah and Shi Guan Lee shall be released upon Listing and replaced by the corporate guarantee by the Company.

Please refer to Note 14 for carrying amount of the leasehold property and Note 16 for the fair value of Investment Property A.

Interest is charged between 1.78% and 2.88% per annum. The interest rate is repriced monthly.

The table below analyses the maturity profile of the Group's bank borrowings based on contractual undiscounted cash flows:

	Carrying amount S\$'000	Contractual cash flows S\$'000
As at 31 March 2016		
Less than one year	131	153
Between one to two years	95	113
Between two to five years	303	338
More than five years	<u>290</u>	<u>300</u>
	<u>819</u>	<u>904</u>
As at 31 March 2017		
Less than one year	95	113
Between one to two years	98	113
Between two to five years	311	338
More than five years	<u>184</u>	<u>187</u>
	<u>688</u>	<u>751</u>
As at 31 March 2018		
Less than one year	98	113
Between one to two years	101	113
Between two to five years	319	338
More than five years	<u>75</u>	<u>78</u>
	<u>593</u>	<u>642</u>
As at 30 September 2018		
Less than one year	99	100
Between one to two years	102	103
Between two to five years	321	326
More than five years	<u>22</u>	<u>23</u>
	<u>544</u>	<u>552</u>

26 DIVIDENDS

	Year ended 31 March			Six months ended 30 September	
	2016	2017	2018	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<i>Ordinary dividends</i>				(Unaudited)	
Interim dividend declared in respect of the current financial year of S\$400 cents per share	<u>—</u>	<u>—</u>	<u>6,000</u>	<u>—</u>	<u>—</u>

No dividend has been paid or declared by the Company during the Track Record Period. Dividends during the year ended 31 March 2018 represented dividends declared by a subsidiary of the Group to the then equity holders of the subsidiary, after elimination of intra-group dividends.

27 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

		Year ended 31 March			Six months ended 30 September	
		2016	2017	2018	2017	2018
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
					(Unaudited)	
Cash flows from operating activities						
Profit before income tax		4,875	3,599	5,281	2,848	495
Adjustments for:						
— (Gains)/losses on disposal of property, plant and equipment	8	(40)	(1)	(12)	(12)	16
— Depreciation of property, plant and equipment	14	1,807	1,826	1,823	954	920
— Amortisation of intangible assets		—	—	—	—	16
— Write-off of property, plant and equipment	8	5	137	226	—	11
— Fair value loss on investment properties	16	110	250	75	—	—
— Finance costs		123	93	36	34	17
— Interest income		—	—	(20)	(9)	—
Operating profit before working capital changes		6,880	5,904	7,409	3,815	1,475
Changes in working capital:						
— Trade and other receivables		(2,386)	596	(837)	(90)	1,527
— Contracts asset/liabilities, net		(515)	779	(1,464)	740	(580)
— Inventories		164	—	(205)	—	205
— Trade, other payables and accruals		2,954	(1,459)	(1,518)	(1,452)	1,452
Cash generated from operations		7,097	5,820	3,385	3,013	4,079

(b) Reconciliation of cash used in purchase of property, plant and equipment

	Year ended 31 March			Six months ended 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000	2018 S\$'000
(Unaudited)					
Total property, plant and equipment acquired during the year/period	3,485	1,050	571	380	2,376
Less: acquired by means of hire-purchase	(2,050)	(101)	—	—	(1,514)
Less: payable for purchase of property, plant and equipment	—	—	—	—	(391)
Cash used in purchase of property, plant and equipment during the year/period	<u>1,435</u>	<u>949</u>	<u>571</u>	<u>380</u>	<u>471</u>

	Year ended 31 March			Six months ended 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000	2018 S\$'000
				(Unaudited)	
Net book value	13	166	226	—	105
Write off of property, plant and equipment	(5)	(137)	(226)	—	(11)
Gain/(loss) on disposal of property, plant and equipment	40	1	12	12	(16)
Proceeds from disposal of property, plant and equipment	48	30	12	12	78

(c) Reconciliation of liabilities arising from financing activities

	Non-Cash Changes SGD\$					
	1 April 2015 S\$'000	Drawdown S\$'000	Principal repayment S\$'000	Interest paid S\$'000	Interest accretion S\$'000	Purchase of property, plant and equipment S\$'000
Bank borrowings	1,250	115	(546)	(26)	26	—
Finance lease liabilities	3,039	—	(1,620)	(97)	97	2,050

	Non-Cash Changes SGD\$					
	1 April 2016 SGD\$	Drawdown S\$'000	Principal repayment S\$'000	Interest paid S\$'000	Interest accretion S\$'000	Purchase of property, plant and equipment S\$'000
Bank borrowings	819	—	(131)	(21)	21	—
Finance lease liabilities	3,469	—	(2,210)	(72)	72	101

	Non-Cash Changes SGD\$					
	1 April 2017 S\$'000	Drawdown S\$'000	Principal repayment S\$'000	Interest paid S\$'000	Interest accretion S\$'000	Purchase of property, plant and equipment S\$'000
Bank borrowings	688	—	(95)	(18)	18	—
Finance lease liabilities	1,360	—	(1,334)	(18)	18	—

	Non-Cash Changes SGD\$						
	1 April 2018 S\$'000	Drawdown S\$'000	Principal repayment S\$'000	Interest paid S\$'000	Interest accretion S\$'000	Purchase of property, plant and equipment S\$'000	30 September 2018 S\$'000
Bank borrowings	593	—	(49)	(7)	7	—	544
Finance lease liabilities	26	—	(243)	(10)	10	1,514	1,297

	Non-Cash Changes SGD\$						
	1 April 2017 S\$'000	Drawdown S\$'000	Principal repayment S\$'000	Interest paid S\$'000	Interest accretion S\$'000	Purchase of property, plant and equipment S\$'000	30 September 2017 S\$'000
(Unaudited)							
Bank borrowings	688	—	(48)	(16)	16	—	640
Finance lease liabilities	1,360	—	(838)	(18)	18	—	522

28 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, are as follows:

	As at 31 March		As at 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2018 S\$'000
Within one year	—	—	33	—
Between one and five years	—	—	—	—
	<u>—</u>	<u>—</u>	<u>33</u>	<u>—</u>

(b) Operating lease commitments — where the Group is a lessor

The Group lease out investment properties to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	As at 31 March		As at 30 September	
	2016 S\$'000	2017 S\$'000	2018 S\$'000	2018 S\$'000
Not later than one year	58	116	103	33
Between one and five years	104	106	13	30
	<u>162</u>	<u>222</u>	<u>116</u>	<u>63</u>

(c) Operating lease commitments — where the Group is a lessee

The Group leases land from third parties under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases in respect of land leases are as follows:

	As at 31 March			As at
	2016	2017	2018	30 September
	S\$'000	S\$'000	S\$'000	2018
				S\$'000
Not later than one year	89	81	122	125
Between one and five years	5	—	1	9
	<u>94</u>	<u>81</u>	<u>123</u>	<u>134</u>

(d) Contingent liabilities

The Group has no material contingent liabilities as at 31 March 2016, 2017 and 2018 and 30 September 2018.

29 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the historical financial information, the following is a summary of significant related party transactions which, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions.

Name of the related party	Relationship with the Group
Bluetel Networks Pte. Ltd.	Common Director and Shareholder
Mishi Auto Pte. Ltd.	Common Director and Shareholder
HSC Kingview JV Pte. Ltd. (Struck off as at 31 March 2018)	Common Director and Shareholder
Mishi Pipeline Engineering Pte. Ltd.	Common Director and Shareholder
Mishi Engineering Pte Ltd (Struck off as at 31 March 2018)	Common Director and Shareholder

(a) Amounts due to directors

The non-trade amounts due to directors is denominated in Singapore Dollar, unsecured and repayable on demand. The balances were settled in September 2018.

(b) Key management compensation

The executive directors of the Group are regarded as key management. Details of the key management compensation are disclosed in Note 10 to the combined financial statements.

III. HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 17 July 2018 with an authorised share capital of 380,000, divided into 38,000,000 shares of HK\$0.01 each. No financial statements of the Group as at and for the Track Record Period are presented as the Company had not been incorporated.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2018 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, 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" of this prospectus and the accountant's report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer and the Capitalisation Issue on the net tangible assets of the Group attributable to owners of the Company as of 30 September 2018 as if the Share Offer and the Capitalisation Issue had taken place on 30 September 2018.

This unaudited pro forma statement of adjusted 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 as at 30 September 2018 or at any future dates following the Share Offer and the Capitalisation Issue, it is prepared based on the combined net tangible assets of the Group as at 30 September 2018 as set out in the accountant's report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's report.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 <i>(Note 1)</i> <i>S\$'000</i>	Estimated net proceeds from the Share Offer <i>(Note 2)</i> <i>S\$'000</i>	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 30 September 2018 <i>S\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i> <i>S\$</i>	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 4)</i> <i>HK\$</i>
Based on an Offer Price of HK\$0.65 per share	16,185	19,331	35,516	0.039	0.224
Based on an Offer Price of HK\$0.55 per share	16,185	15,692	31,877	0.035	0.201

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to owners of the Company as at 30 September 2018 of S\$16,281,000 with an adjustment for the intangible assets as of 30 September 2018 of S\$96,000.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.55 and HK\$0.65 per Share after deduction of the underwriting fees and other related expenses paid/payable by the Company and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates to allot and issue or repurchase Shares as described in section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 920,000,000 Shares were in issue immediately following the completion of the Share Offer and the Capitalisation Issue 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.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in S\$ are converted into Hong Kong dollars at a rate of S\$1.00 to HK\$5.75. No representation is made that S\$ amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2018.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Pipeline Engineering Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Pipeline Engineering Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 September 2018, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 14 March 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group’s financial position as at 30 September 2018 as if the proposed initial public offering had taken place at 30 September 2018. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the three months ended 30 September 2018, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**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 behaviour.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 September 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related 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 company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14 March 2019

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Property Consultants Pte Ltd, an independent valuer, in connection with its valuation as at 31 December 2018 of the properties held by the Group.



Jones Lang LaSalle Property Consultants Pte Ltd
Jones Lang LaSalle Property Management Pte Ltd
 9 Raffles Place, #39-00 Republic Plaza Singapore 048619
 tel +65 6220 3888 fax +65 6438 3362

Company Reg No. 198004794D CEA Licence No. L3007326E
 Company Reg No. 197600508N



Valuation (Land & Building)

14 March 2019

The Board of Directors
 Pipeline Engineering Holding Limited
 (the “Company” and its subsidiaries, together the “Group”)
 36 Sungei Kadut Avenue
 Singapore 729661

Dear Sirs,

In accordance with your instructions to value the property interests held by Pipeline Engineering Holdings Ltd (formerly known as Astute Prosper Holdings Limited and Pipeline Technologies Holdings Limited) and its subsidiaries (hereinafter together referred to as the “Group”) in Singapore, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 December 2018 (the “valuation date”).

Our valuation is done on a market value basis. Market value is defined as “the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest in Group I which is held for investment by the Group in Singapore by using the Direct Comparison Method, assuming sale of the property interests in their existing state, subject to the existing tenancies and occupancy arrangement. We have also make reference to comparable sales transactions as available in the relevant market to carry out our assessment.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense 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 outgoing of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the SISV Valuation Standards published by the Singapore Institute of Surveyors and Valuers; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as the gross floor areas, existing leases and occupancy arrangements, specifications, formal planning approval and other relevant matters.

We have carried out the title searches relating to the Property with the Land Title Registry. We have reported the information with regards to the ownership, tenure, land area and all encumbrances, if any, in our reports. However, we do not interpret nor ascertain the security of the ownership or legal interest in the Properties belonging to the client. In carrying out our valuation, we assumed that the client owned the assets as at the date of our valuation.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and architectural site and floor plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any items of disrepair which we regard as serious. We are not, however, able to give any assurance that the Properties are free of rot, infestation or any other structural defect.

3 Ang Mo Kio Street 62 #02-20 Link@AMK was inspected on 5 June 2018 by Valentine Chua. She has 5 years' experience in the valuation of properties in Singapore.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Singapore Dollar (S\$). Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Property Consultants Pte Ltd

Yee Yeh Shiunn *B.Sc. (Hons) Land Mgt, MSISV, MRICS*
Appraiser Licence No: AD041-2006553D
Regional Director

Note: Yee Yeh Shiunn is a Singapore Licensed Appraiser and member of Singapore Institute of Surveyor and Valuer who has 26 years' experience in the valuation of properties in Singapore.

SUMMARY OF VALUES

GROUP I — PROPERTY INTEREST HELD FOR INVESTMENT BY THE GROUP IN SINGAPORE¹

No.	Property	Market Value in existing state and/ or of the unexpired leasehold interest in the Property as at 31 December 2018 S\$
1	3 Ang Mo Kio Street 62 #02-20 Link@AMK Singapore 569139	1,020,000
		Sub-Total: <u>1,020,000</u>

¹ As advised by the Group

VALUATION CERTIFICATE

GROUP I — PROPERTY INTEREST HELD FOR INVESTMENT BY THE GROUP IN SINGAPORE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2018 S\$
1	3 Ang Mo Kio Street 62 #02-20 Link@AMK Singapore 569139	A strata-titled factory unit located on the 2nd storey of a 8-storey industrial building within an industrial development known as Link@AMK. The Property is approximately 4 years old. The Property is located on Lot U114227V Mukim 18 with a strata floor area of 200 sq.m. (2,152.8 sq.ft.). The Property is held under leasehold for 60 years commencing from 28 June 2011.	As advised, the Property was being tenanted at a total monthly rental of S\$2,750/- for a fixed term of 24 months, commencing from 1 September 2018.	1,020,000

Notes:

1. The Property is located along Ang Mo Kio Street 62, off Ang Mo Kio Avenue 9. The immediate vicinity comprises a mixture of standard flatted warehouse/factory buildings and purpose-built factories.
2. The registered proprietor is HSC Pipeline Engineering Pte Ltd, a wholly-owned subsidiary of the Company.
3. The site of the Property is zoned as “Business 1 with a plot ratio of 2.5” according to the Master Plan Zoning (2014 Edition). “Business 1” in the Master Plan refers to areas used or intended to be used for clean industry, light industry, warehouse, public utilities, and telecommunication uses and other public installations for which the relevant authority does not impose a nuisance buffer greater than 50m. Certain general industrial uses that are able to meet the nuisance buffer requirements of not more than 50m imposed by the relevant authority may be allowed in the B1 zones, subject to evaluation by the relevant authority and the competent authority.
4. Pursuant to the title search record, the Property is subject to, inter alia, the following encumbrance:
 - a. Mortgaged to DBS Bank Limited.
 - b. Subject to restrictive covenants contained in/referred to instrument no. Restriction IE/280354P registered on September 25, 2015
5. Pursuant to the Restriction IE/280354P registered in the title search, the Covenantor shall duly comply with and adhere to, the following matters:
 - i. The Covenantor acknowledges that he is aware that access to all reinforced concrete flat roofs in the Building/ Unit is prohibited save for maintenance purposes by the Covenantor or the management corporation (when formed) or in times of emergency.
 - ii. The private car and/or lorry parking lots (maximum 50 metres square per unit) approved as part of the strata unit contiguous to it shall not be converted to any other uses.

- iii. The Unit is approved for use as a factory in the grant of the Written Permission for the Building by the Competent Authority under the Planning Act (Cap. 232).
 - iv. Unless with the prior permission of the Competent Authority under the Planning Act, the Covenantor shall not use the Unit or allow the Unit to be used for any purpose other than the approved use as specified above in accordance with the Written Permission of the Competent Authority.
6. Our valuation has been made on Direct Comparison Approach.

Direct Comparison Method

In arriving at our opinion of the market value of the Property, we have based on direct comparison with recent transactions of comparable properties within the development.

In arriving at our valuation figure, we have identified and analysed various relevant sales evidence in the subject development. The selected comparables are located within the same development as the Property at Link@AMK which were transacted in 2018. They are general industrial strata-titled units on the low to middle storey building completed in Circa 2010s. The adjusted unit rate of the comparables range from S\$467/sq.ft. to S\$485/sq.ft. on strata floor area. We have taken into consideration of the prevailing market conditions and making due adjustments for differences between the Property and the comparables in terms of location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and other factors affecting their values to arrive at an adjusted unit rate of S\$473/sq.ft.

The unit rate of the Property which is in line with the adjusted unit rate of these comparables is within a reasonable range.

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 17 July 2018 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 26 February 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars

required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 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 instalments 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.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an

annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and

other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or 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 dependants 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 dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide

in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments 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 authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meeting

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting)

convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) 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.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Company Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Company Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 25 July 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

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 companies law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available for inspection — Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands companies 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 Cayman Islands Companies Law as an exempted company with limited liability on 17 July 2018. Our Company has been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 23 January 2019 and our Company's principal place of business in Hong Kong is at Suite 3708, Tower Two Lippo Centre, 89 Queensway, Admiralty, Hong Kong. Mr. Hwang Hau-zen Basil, a Hong Kong resident, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Cayman Company Law and certain provisions of the Articles of Association is set out in Appendix IV of this prospectus.

2. Changes in authorised and issued share capital of our Company

As at the date of the incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with par value of HK\$0.01 each. On the date of incorporation, the initial subscriber subscribed for, and our Company allotted and issued, one nil-paid Share. On the same day, the one nil-paid Share was transferred from the initial subscriber to APL.

On 14 February 2019, 99 Shares were allotted and issued, credited as fully-paid, to APL pursuant to a sale and purchase agreement entered into between Mr. Michael Shi (as vendor) and our Company (as purchaser), in respect of the transfer of the entire issue share capital of HSC Pipeline Engineering from Mr. Michael Shi to our Company.

On 26 February 2019, 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 the creation of an additional 9,962,000,000 Shares of HK\$0.01 each which rank *pari passu* in all respect with the existing Share.

On 26 February 2019, our sole Shareholder resolved that, conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares, our Directors were authorised to capitalise approximately HK\$6,899,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 689,999,900 Shares for allotment and issue to the Shareholders whose names appear on the register of members of our Company at the close of business on the Business Day immediately preceding the Listing Date (or as it/they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to its/their then existing shareholdings in our Company.

Immediately following completion of the Capitalisation Issue and the Share Offer (and without taking into account the allotment and issue of Shares upon the exercise of the Over-allotment Option or options to 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 920,000,000 Shares will be issued fully paid or credited as fully paid, and 9,080,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Company — 4. Written resolutions of our sole Shareholder passed on 26 February 2019” in this Appendix, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, 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 since its incorporation.

3. Changes in share capital of our subsidiaries

The principal subsidiaries of our Company are set out in the accountant’s report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed in the section headed “History, Reorganisation and corporate structure”, there are no changes in the share capital of our Company’s subsidiaries during the two years preceding the date of this prospectus.

4. Written resolutions of our sole Shareholder passed on 26 February 2019

- (a) Pursuant to the written resolutions of the sole Shareholder passed on 26 February 2019:
 - (i) our Company approved and adopted the Memorandum of Association with immediate effect;
 - (ii) 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 the creation of 9,962,000,000 Shares of HK\$0.01 each, which shall rank *pari passu* in all respects with the Shares in issue as at the date of the resolution;

- (iii) conditional upon (i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued as mentioned in this prospectus (including those under the Capitalisation Issue, the Share Offer, the exercise of the Over-allotment Option and the exercise of any options to be granted under Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:
- (aa) our Company approved and conditionally adopted the Articles of Association with effect from the Listing Date;
- (bb) conditional on the share premium account of our Company being credited as a result of the Share Offer, the sum of HK\$6,899,999 be capitalised and applied in paying up in full at par value 689,999,900 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company at the close of business on the Business Day immediately before the Listing Date in proportion (or nearly as possible without involving fractions) to their then existing shareholdings in our Company and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;
- (cc) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;
- (dd) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

- (ee) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, Shares not exceeding 20% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, “Rights Issue” means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognised regulatory body or any stock exchange applicable to our Company);

- (ff) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer but before the exercise of the Over-allotment

Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first;

- (gg) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (a)(iii)(ee) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally 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 repurchased by our Company pursuant to paragraph (a)(iii)(ff) above, provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved; and
- (iv) Each of the general mandates referred to in paragraphs (a)(iii)(ee), (a)(iii)(ff) and (a)(iii)(gg) above will remain in effect until whichever is the earliest of:
 - (1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
 - (2) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or
 - (3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of our Sole Shareholder passed on 26 February 2019, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or any the 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, of up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed “A. Further information about our Company — 4. Written resolutions of our sole Shareholder passed on 26 February 2019” in this Appendix. The Repurchase Mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or (iii) the passing of an ordinary resolution by the Shareholders in general meeting varying or revoking the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Cayman Islands Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by us may be made out of our funds which would otherwise be available for dividend or distribution or out of sums standing to the credit of our share premium account or out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if so authorised by our Articles and subject to the provisions of the Cayman Islands Companies Law, out of capitals.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(iv) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(v) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

(vi) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to the knowledge of the company until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vii) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required

to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(viii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands from time to time in force.

On the basis of our Company’s current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(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) currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Articles of Association and the applicable laws and regulations of the Cayman Islands from time to time in force.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANISATION

In order to streamline the corporate structure and rationalise our corporate structure for the Listing, our Group underwent the Reorganisation. Please see the section headed "History, Reorganisation and corporate structure — Reorganisation" for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated 14 February 2019 entered into between Mr. Michael Shi (as vendor) and our Company (as purchaser), pursuant to which the entire issued share capital of HSC Pipeline Engineering was transferred from Mr. Michael Shi to our nominee, IVL, in consideration of our Company allotting and issuing 99 Shares in our share capital to APL (as the nominee of Mr. Michael Shi) credited as fully paid at the direction of Mr. Michael Shi and crediting the initial subscriber Share held by APL as fully paid;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, we had not registered any trademarks.

Domain Name

As at the Latest Practicable Date, we have registered the following domain name:

Registrant	Domain name	Date of registration	Date of expiry
HSC Pipeline Engineering	www.hscpe.com	3 January 2001	3 January 2020
HSC Pipeline Engineering	www.pipeline-engineering-holdings.com	28 February 2019	28 February 2020

D. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Directors' service contracts and letters of appointment**

Each of our Executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our Independent Non-Executive Directors has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing by served by either party on the other, which notice shall not expire until after the fixed term. Each of the Independent Non-Executive Directors is entitled to an annual director's fee of S\$36,000.

The current basic annual salaries of our Executive Directors are as follows:

	S\$
Mr. Michael Shi	252,000
Mr. Shi Guan Lee	211,200
Mr. Shane Shi	144,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended 31 March 2018 and the six months ended 30 September 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was S\$0.4 million, S\$0.4 million, S\$0.4 million and S\$0.2 million, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended 31 March 2018 and the six months ended 30 September 2018, by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 March 2019 will be approximately S\$0.4 million.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in our share capital and our associated corporations as of the Latest Practicable Date and following the Share Offer

As of the Latest Practicable Date and immediately following completion of the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our 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 us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares held immediately after the Capitalisation Issue and the Share Offer	Percentage of shareholding in our Company immediately after the Capitalisation Issue and the Share Offer
Mr. Michael Shi	Interest in controlled corporation (<i>Note 2</i>)	690,000,000 (L) (<i>Note 1</i>)	75%

Note:

1. The letter “L” denotes the person’s long position in the relevant Shares.
2. The entire issued share capital of APL is legally and beneficially owned by Mr. Michael Shi. Accordingly, Mr. Michael Shi is deemed to be interested in the 690,000,000 Shares held by APL by virtue of the SFO.

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

As of the Latest Practicable Date and immediately following completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 members of our Group:

Interests and short positions in our Shares and underlying Shares of our Company

Name	Capacity/Nature of interest	Number of Shares held immediately after the Capitalisation Issue and the Share Offer	Percentage of shareholding in our Company immediately after the Capitalisation Issue and the Share Offer
APL ⁽²⁾	Beneficial owner	690,000,000 (L)	75%
Ms. Oh Lay Guat ⁽³⁾	Interest of spouse	690,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes the person’s long position in the relevant Shares.
- (2) The entire issued share capital of APL is legally and beneficially owned by Mr. Michael Shi. Accordingly, Mr. Michael Shi is deemed to be interested in the 690,000,000 Shares held by APL by virtue of the SFO.
- (3) Ms. Oh Lay Guat is the spouse of Mr. Michael Shi and is therefore deemed to be interested in all the Shares that Mr. Michael Shi is interested via APL by virtue of the SFO.

2. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Share Offer (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group;

- (b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;
- (c) none of our Directors nor any of the parties listed in the section headed “G. Other information — 9. Qualifications and consents of experts” in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) none of our Directors nor any of the parties listed in the paragraph headed “G. Other information — 9. Qualifications and consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “G. Other information — 9. Qualifications and consents of experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their close associates or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our sole Shareholder passed on 26 February 2019 and adopted by a resolution of the Board on 26 February 2019 (the “**Adoption Date**”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future contributions to our Group and/or to reward them for their past

contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options (“**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Executive**”), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“**Employee**”);
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (g) an associate of any of the persons referred to in paragraphs (a) to (f) above (the person referred above are the “**Eligible Persons**”).

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 92,000,000 Shares) (the “**Scheme Mandate Limit**”) provided that:

- (a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme

or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

- (b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company should issue a circular to our Shareholders containing the details and information required under the Listing Rules; and
- (c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's Shares in issue from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

4. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing 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 containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the Independent Non-Executive Directors of our Company (excluding the Independent Non-Executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an Independent Non-Executive Director of our Company, or any of their respective associates, would result in the total number of 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 in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an Independent Non-Executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

7. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated

in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

9. Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 21 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 per Option by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 21 days after the offer date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange’s daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

- (a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice (subject to the terms of the Share Option Scheme) and, where appropriate, receipt of a certificate from our auditors or the independent financial adviser to our Company, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.
- (d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:
 - (i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;
 - (ii) in the event that the grantee ceases to be an Eligible Person for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

- (iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:
 - (1) the Option period;
 - (2) the period of two months from the date of such notice; or
 - (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option;
- (v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (a) the expiry of the Option period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of the Option;
- (c) subject to the terms of the period mentioned in the paragraph headed “F. Share Option Scheme — 11. Exercise of Option” above, the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option; or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

- (c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate, the auditors or the independent financial adviser appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;
- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (d) any such adjustments shall be made to in accordance with the provisions as stipulated under 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; and
- (e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancellation of Options

Any cancellation of Options granted but not exercised must be approved by the Option holder of the relevant Options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 18 below.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The 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 (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the our Shareholders in general meeting:

- (a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;
- (c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and
- (d) any alteration to the aforesaid alteration provisions;

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (a) the approval of our Shareholders for the adoption of the Share Option Scheme;

- (b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 92,000,000 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;
- (c) the commencement of dealing in our Shares on the Stock Exchange; and
- (d) the obligations of the underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith terminate;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 92,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

APL and Mr. Michael Shi have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries), to provide indemnities in respect of, among other things:

- (a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of sections 35, 42, and 43 of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong)(or the equivalent thereof or the requirement similar thereto under the laws of any jurisdiction outside Hong Kong); and

- (b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Singapore, Hong Kong or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, inheritance tax, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, transfer tax, estate duty, gift duty, any tax computed on capital assets, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy, rate or other liabilities or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Singapore, Hong Kong or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received or any transactions, events, matters, things or any business carried on or occurring on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

- (a) to the extent that provision or allowance has been made for such taxation in the combined financial statements of our Group as set out in the accountant's report set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended 31 March 2018 and the six months ended 30 September 2018 (the "**Accounts**");
- (b) to the extent that any company of our Group is liable for such taxation as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 September 2018 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation;
- (c) to the extent that such taxation or liability is/are discharged by another person who is not a member of our Group and that none of our Company and/or our Group is required to reimburse such person in respect of the discharge of such taxation or liability;
- (d) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of our Controlling Shareholders, otherwise than in the ordinary course of business after the date of execution of the Deed of Indemnity, or was carried out, made or entered into by any member of our Group pursuant to a legally binding commitment created before the Listing Date;

- (e) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation, regulations, or practice by the Inland Revenue Authority of Singapore, the Hong Kong Inland Revenue Department or any other tax or government authorities in any part of the world coming into force after the Listing Date or to the extent such taxation claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or
- (f) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in its assets or any losses, actions (including all legal costs and suspension of operation), costs, expenses, damages, penalties, fines, demands, claims, proceedings, fees, taxation, or liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed “Business — Litigation and claims”.

2. Litigation

Save as disclosed in the section headed “Business — Litigation and claims”, as at the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses relating to the incorporation of our Company are approximately HK\$44,000 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, any Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of HK\$5.0 million to act as sponsor to our Company in connection with the Listing.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since 30 September 2018 (being the date to which our latest audited combined financial statements were made up) and up to the date of this prospectus.

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Miscellaneous Provisions) Ordinance so far as applicable.

8. Miscellaneous

- (1) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (b) no commissions, discounts, brokerage (other than under the Underwriting Agreements) or other special terms have been granted in connection with the issue or sale of any Shares or loan capital of our Company or any of our subsidiaries;
 - (c) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company or any of our subsidiaries;
- (2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (3) 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.
- (4) None of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (5) Neither our Company nor our subsidiaries have no outstanding convertible debt securities or debentures.

- (6) No founders, management or deferred shares nor any debentures of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (7) Our Directors confirmed that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2018 (being the date to which the latest audited combined financial statements of our Group were made up).
- (8) Our Directors confirmed that none of them shall be required to hold any Shares by way of qualification and none of them has any interest in the promotion of our Company.
- (9) None of our Directors nor any of the persons whose names are listed in paragraph headed “G. Other information — 9. Qualifications and consents of experts” in this Appendix has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group.
- (10) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by Conyers 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 transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.
- (11) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
- (12) There is no arrangement under which future dividends have been waived.
- (13) There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

9. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Fortune Financial Capital Limited	A corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Opal Lawyers LLC	Legal advisers to our Company as to Singapore laws
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands laws
Frost & Sullivan International Limited	Independent industry consultant
Jones Lang LaSalle Property Consultants Pte Ltd	Independent property valuer
Baker Tilly Consultancy (Singapore) Pte Ltd	Internal control consultant

Each of the experts named above has given and has not withdrawn their respective written consent to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Taxation of holders of Shares

(a) Hong Kong

(i) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

(b) The Cayman Islands

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.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the

Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

11. Bilingual prospectus

The English language and the 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).

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:

- (1) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (2) the written consents referred to in the paragraph headed “G. Other information — 9. Qualifications and consents of experts” in Appendix V to this prospectus; and
- (3) a copy of each of the material contracts referred to in the paragraph headed “C. Further information about our business — 1. Summary of the material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office 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 Articles of Association of our Company;
- (b) the accountant’s report of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report on unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for the three years ended 31 March 2018 and the six months ended 30 September 2018;
- (e) the rules of our Share Option Scheme;
- (f) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Company Law referred to in Appendix IV to this prospectus;
- (g) the Cayman Company Law;
- (h) the material contracts referred to in the paragraph headed “C. Further information about our business — 1. Summary of the material contracts” in Appendix V to this prospectus;
- (i) the written consents referred to in the paragraphs headed “G. Other information — 9. Qualifications and consents of experts” in Appendix V to this prospectus;
- (j) the service contracts referred to in the paragraph headed “D. Further information about our Directors” in Appendix V to this prospectus;

- (k) the legal opinion issued by Opal Lawyers LLP, the legal advisers to our Company as to Singapore laws;
- (l) the industry report prepared by Frost & Sullivan International Limited referred to in the section headed “Industry overview”;
- (m) the letter, summary of property values and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Property Consultants Pte Ltd, the text of which is set out in Appendix III to this prospectus; and
- (n) the internal control report prepared by Baker Tilly Consultancy (Singapore) Pte Ltd.



Pipeline Engineering Holdings Limited
管道工程控股有限公司