You should read this section in conjunction with our audited combined financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this document. Our combined financial information has been prepared in accordance with IFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and development will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed "Risk Factors" of this document.

OVERVIEW

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

Since the establishment of our business in 1996, we have been providing solely steel reinforcement works. Expansion of our business took place in 2005 when we broadened our scope of services to provide reinforced concrete works comprising steel reinforcement works, formwork erection and concrete works. We had completed 18 general building projects and one civil engineering project, as a subcontractor during the Track Record Period. In addition, one general building project, which was completed in September 2014, had recognised revenue during the Track Record Period. As at the Latest Practicable Date, we had five general building projects and one civil engineering project on hand with aggregate contract sums of approximately S$64.7 million and S$38.0 million, respectively.

For the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, we recognised revenue of approximately S$29.9 million, S$30.1 million, S$8.1 million and S$12.2 million, respectively. Our profit and total comprehensive income for the year was approximately S$2.5 million, S$3.0 million, S$0.6 million and S$1.1 million for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 8 March 2017 as an exempted company with limited liability under the Cayman Companies Law. In preparation for the **[REDACTED]**, our Group underwent the Reorganisation. For further details of the Reorganisation, please refer to the section headed "History, Reorganisation and Group Structure" of this document. As a result of the Reorganisation, our Company became the holding company of the subsidiaries now comprising our Group.

Our Company became the holding company of the subsidiaries now comprising our Group in 2017. As the Reorganisation involved inserting new holding entities at the top of an existing company and has not resulted in any change of economic substance, the financial information for the Track Record Period has been prepared on the basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group since their respective date of incorporation, where there is a shorter period, are prepared as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position as at 31 December 2015, 31 December 2016 and 30 April 2017 present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates, taking into account their respective dates of incorporation.

All intra-group assets, liabilities, equity, income, expenses and cashflows relating to transactions between members of our Group are eliminated in full on combination. For more information on the basis of presentation and preparation of our combined financial information included herein, please refer to note 2 to the Accountants' Report in Appendix I to this document.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk Factors" of this document:

Our financial performance is heavily dependent on the state of the economy in Singapore

Our financial performance is heavily dependent on the state of the economy in Singapore as our revenue was derived solely from our operations in Singapore during the Track Record Period. In the event of any unforeseen circumstances such as natural disasters, downturn in the Singapore economy, terrorist attacks and other events beyond our control occurring in Singapore, our business operations, financial performance and financial position may be adversely affected.

Our Group is dependent on the construction industry in Singapore, which is subject to cyclical fluctuations. A downturn in the Singapore construction industry is likely to have an adverse impact on our business and profitability due to the possibility of postponement, delay or cancellation of construction projects and delay in recovery of receivables.

Pricing of our projects

One of the key drivers to our profitability is our pricing. Although we determine our project prices based on a cost-plus method with reference to the time and costs estimated to be involved in a project, the actual time and costs involved in completing our general building and civil engineering projects may be adversely affected by a number of uncontrollable or unforeseen factors, including shortage and cost escalation in materials and labour, adverse weather conditions and changes in rules, regulations and policies set out by the government of Singapore. Actual site condition may be significantly different from our original anticipation and technical issues could arise from time to time, which both would adversely affect the total cost in completing our works. In addition, our unit prices and rates are stated in our provisional price contracts while our fixed price contracts, except for variation orders, in general do not contain a price fluctuation adjustment mechanism. In other words, we must bear the risk of subsequent variation of the unit cost for the works we perform, including any inflation and abrupt shortage of labour and materials.

The initial contract value of each construction contract is determined with reference to our bids and substantially agreed to at the time a project is awarded. In order to determine the bids, we need to estimate the time and costs involved in a project. However, we may fail to accurately estimate completion costs. The actual amount of the total costs incurred in completing a project may be adversely affected by many factors, such as adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials. If the costs for a project exceed the contracted price in the relevant contract, we may achieve lower-than-expected profits or even incur losses, which could materially and adversely affect our financial performance and results of operations.

Collectability and timing of collection of our trade debtors and retention sum receivables

We normally receive progress payments from our customers on a regular basis with reference to the value of works done, and a portion of such payment, which is typically at 5% or 10% of each of the certified amounts and up to a maximum limit of 5% or 10% of the initial contract value, is usually withheld by our customers as retention monies. Usually, half of the retention monies will be released upon agreement of the final accounts. The remaining half of the retention monies is usually to be released (i) upon completion of our part of our works; (ii) upon completion of the works under the main contract; (iii) upon expiration of the defects liability period as stipulated in the contract with our customer; or (iv) upon expiration of the defects liability period as stipulated in the main contract. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as subcontractors. As for projects we act as a main contractor, the defects liability period lasts for 12 months from the date of completion. Accordingly, we may be subject to considerable credit risk and there can be no assurance that the retention monies or any future retention monies will be remitted by our customers to us on a timely basis and in full. As at 30 April 2017, our trade receivables amounted to approximately S$5.9 million and our retention sum receivables amounted to approximately S$6.5 million. Any late payment, whether arising from payment practice of our customers or delay in completion of the construction project, may adversely affect our future liquidity position.

Our ability to achieve success in the tendering or quotation process

Our reinforced concrete works projects, from which we primarily generate revenue, were principally awarded through a competitive tendering or quotation process. Our business is contract-based, which is non-recurrent in nature. Our future growth and success will depend on our ability to continue to secure tender and contract awards. In addition, we do not enter into any long-term agreement with our customers and we have to undergo the entire tendering or quotation process for every new project. For the two years ended 31 December 2016 and the four months ended 30 April 2017, in respect of subcontractor projects, we recorded a quotation success rate of approximately 18.2%, 20.0% and nil, respectively, and in respect of main contractor projects, we recorded a tender success rate of nil, 33.3% and 50.0% for the same periods, respectively. Our success rate for main contractor projects through quotations was nil for the year ended 31 December 2016. For the period ended 30 April 2017 and for the period from 1 May 2017 up to the Latest Practicable Date, we had not received any quotation invitations for main contractor projects. There is no assurance that our Group could achieve the same or higher tender or quotation success rate in the future as we did in the past. If our Group is unable to secure new tenders or obtain new contracts, there may be a significant decrease in our revenue, which may adversely affect our operation and financial results.

Our workforce is largely made up of foreign workers and any adverse change in the government policies in relation to foreign workers could materially affect our operations and financial performance

Given that the local construction workforce is limited in supply and hence more costly, our business is highly dependent on foreign workers. Any shortage in the supply of foreign workers, any increase in the FWL for foreign workers or any restriction on the number of foreign workers we can employ for our construction works will adversely affect our business operations as well as our financial performance.

The supply of foreign workers in Singapore is subject to the policies and regulations imposed by the MOM. In respect of each construction project, the MOM imposes a quota, in terms of MYE, on the number of foreign workers which the main contractor can employ for the entire project. Being a subcontractor, we negotiate with our main contractor and make a request before the commencement of the construction work for the MYE to be needed to complete our works. Any tightening of such quota could affect our operations and hence our financial performance. In addition, any changes in the policies regarding the countries of origin of foreign workers may also affect the supply of foreign workers, which may force us to employ local workers at higher costs or cause disruptions to our operations or delays in the completion of our projects.

Further, the MOM imposes the FWL for foreign workers (subject to changes as and when announced by the government of Singapore) whereby the FWL for basic skilled workers under the construction sector who are on MYE increased to S$650 from 1 July 2016 and was further increased to S$700 from 1 July 2017. Any increase in the FWL in the future will increase our operating expenses, thereby affecting the financial performance of our Group.

Fluctuation in direct costs

Our key direct costs in providing the reinforced concrete works projects are (i) costs of construction materials and consumables; (ii) direct labour; and (iii) subcontracting charges. For the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, costs of construction materials and consumables, direct labour and subcontracting charges represented 87.1%, 91.4%, 87.8% and 91.9% of our total direct costs, respectively. For details of our components of direct costs, please refer to the paragraph headed "Principal components of results of operations — Direct costs" in this section.

To perform the reinforced concrete works projects, we primarily purchase construction materials and consumables, such as timber and steel, which are directly attributed to our construction project works. We also usually subcontract the most labour intensive part of our works, which are mainly steel reinforcement works and formwork erection, to other subcontractors in a project.

Since costs of construction materials and consumables, direct labour and subcontracting charges are the major components of our direct costs, fluctuation in any of the aforesaid components will affect our direct costs during the actual implementation of the project. In the event that the direct costs increase unexpectedly to the extent that we have to incur substantial extra costs without sufficient compensations, our financial performance and profitability will be adversely affected.

The following sensitivity analyses illustrate the impact of hypothetical fluctuations in costs of construction materials and consumables, direct labour and subcontracting charges on our profit for the year during the Track Record Period, assuming all other variables remained constant.

Hypothetical fluctuations

(Decrease)/increase in cost of construction materials and consumables	**–20.0%**	**–5.0%**	**+5.0%**	**+20.0%**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2015	(462)	(116)	116	462
Year ended 31 December 2016	(1,296)	(324)	324	1,296
Four months ended 30 April 2016	(269)	(67)	67	269
Four months ended 30 April 2017	(607)	(152)	152	607

(Decrease)/increase in profit for the year/period	**–20.0%**	**–5.0%**	**+5.0%**	**+20.0%**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2015	383	96	(96)	(383)
Year ended 31 December 2016	1,076	269	(269)	(1,076)
Four months ended 30 April 2016	223	56	(56)	(223)
Four months ended 30 April 2017	504	126	(126)	(504)

Hypothetical fluctuations

(Decrease)/increase in direct labour	**–10.0%**	**–5.0%**	**+5.0%**	**+10.0%**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2015	(1,293)	(647)	647	1,293
Year ended 31 December 2016	(1,019)	(509)	509	1,019
Four months ended 30 April 2016	(281)	(141)	141	281
Four months ended 30 April 2017	(359)	(180)	180	359

(Decrease)/increase in profit for the year/period	**–10.0%**	**–5.0%**	**+5.0%**	**+10.0%**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2015	1,073	537	(537)	(1,073)
Year ended 31 December 2016	846	422	(422)	(846)
Four months ended 30 April 2016	233	117	(117)	(233)
Four months ended 30 April 2017	298	149	(149)	(298)

Hypothetical fluctuations

(Decrease)/increase in subcontracting charges	**–10.0%**	**–5.0%**	**+5.0%**	**+10.0%**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2015	(577)	(289)	289	577
Year ended 31 December 2016	(553)	(277)	277	553
Four months ended 30 April 2016	(169)	(85)	85	169
Four months ended 30 April 2017	(83)	(41)	41	83

(Decrease)/increase in profit for the year/period	**–10.0%**	**–5.0%**	**+5.0%**	**+10.0%**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2015	479	240	(240)	(479)
Year ended 31 December 2016	459	230	(230)	(459)
Four months ended 30 April 2016	140	71	(71)	(140)
Four months ended 30 April 2017	69	34	(34)	(69)

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENT

We have identified certain accounting policies that are significant to the preparation of our Group's combined financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Also, we had not experienced any significant change in estimates and their underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in notes 4 and 5 to the Accountants' Report in Appendix I to this document.

SUMMARY OF RESULTS OF OPERATIONS

The following combined statements of profit or loss and other comprehensive income of our Group for the Track Record Period are extracted from, and should be read in conjunction with, the audited combined statements of profit or loss and other comprehensive income, together with the accompanying notes, in the Accountants' Report set forth in Appendix I to this document.

	Year ended 31 December 2015	Year ended 31 December 2016	Four months ended 30 April 2016	Four months ended 30 April 2017
	S$'000	*S$'000*	*S$'000* (Unaudited)	*S$'000*
Revenue	29,942	30,068	8,090	12,155
Direct costs	(24,122)	(24,286)	(6,665)	(8,120)
Gross profit	5,820	5,782	1,425	4,035
Other (expenses)/income, net	(340)	163	113	73
Administrative expenses	(2,580)	(2,626)	(975)	(2,463)
Finance costs	(23)	(37)	(10)	(13)
Profit before taxation	2,877	3,282	553	1,632
Income tax (expense)/credit	(374)	(308)	18	(519)
Profit for the year/period	2,503	2,974	571	1,113
Profit and other comprehensive income for the year/period	2,503	2,974	571	1,113

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Our Group recorded revenue of approximately S$29.9 million, S$30.1 million, S$8.1 million and S$12.2 million for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively; and our Group recorded profit and total comprehensive income for the year/period of approximately S$2.5 million, S$3.0 million, S$0.6 million and S$1.1 million for the same periods, respectively.

Revenue

Our revenue was principally derived from providing reinforced concrete works, which cover the main areas of steel reinforcement works, formwork erection and concrete works, in Singapore. During the Track Record Period, 25 projects in total had recognised revenue, of which 19 projects were completed and six were still ongoing as at 30 April 2017. For the completed projects, 18 projects were related to general building works and one project was related to civil engineering works. For the projects which were still ongoing as at 30 April 2017, four and two projects were related to general building works and civil engineering works, respectively. As our Group recognises revenue from construction contracts using the percentage of completion method in accordance with applicable accounting standards, contract revenue is matched with the costs incurred in reaching the stage of completion whereas stage of completion is determined by contract costs incurred for work performed to the estimated total contract costs.

Since (i) certain construction projects involve a combination of different types of works where no separate measurements of relevant costs by type of works (e.g. costs of labour performing various tasks are measured with reference to his total man-hours spent) can be ascertained; and (ii) certain parts of construction works (e.g. setup of site office) and their relevant revenue cannot be attributed to different types of works, we do not have analysis on our results and assets and liabilities by type of works. Hence, our revenue breakdown is presented by project type and by sector.

The following table sets out our revenue generated from projects related to general building works and civil engineering works:

	For the year ended 31 December						For the four months ended 30 April					
	2015			2016			2016			2017		
	No. of projects handled (Note)	*S$'000*	*%*	*No. of projects handled (Note)*	*S$'000*	*%*	*No. of projects handled (Note)*	*S$'000* (Unaudited)	*%*	*No. of projects handled (Note)*	*S$'000*	*%*
Revenue												
General building projects	13	28,873	96.4	15	21,859	72.7	12	6,426	79.4	6	10,247	84.3
Civil engineering projects	2	1,069	3.6	2	8,209	27.3	1	1,664	20.6	2	1,908	15.7
	15	29,942	100.0	17	30,068	100.0	13	8,090	100.0	8	12,155	100.0

Note: The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

During the Track Record Period, our Group engaged in construction projects from both public and private sectors. Public sector projects refer to projects where the ultimate employer(s) are Singapore government departments and statutory bodies while private sector projects refer to projects where the ultimate employer(s) are corporate property developer(s) and land owner(s). The following table sets forth the revenue generated from the sector where our ultimate project employers belong to:

	For the year ended 31 December						For the four months ended 30 April					
	2015			2016			2016			2017		
	No. of projects handled (Note)	*S$'000*	*%*	*No. of projects handled (Note)*	*S$'000*	*%*	*No. of projects handled (Note)*	*S$'000* (Unaudited)	*%*	*No. of projects handled (Note)*	*S$'000*	*%*
Revenue												
Public sector projects	5	6,540	21.8	6	21,790	72.5	4	4,514	55.8	4	11,123	91.5
Private sector projects	10	23,402	78.2	11	8,278	27.5	9	3,576	44.2	4	1,032	8.5
	15	29,942	100.0	17	30,068	100.0	13	8,090	100.0	8	12,155	100.0

Note: The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

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

Revenue contributed from public sector projects accounted for approximately 21.8%, 72.5%, 55.8% and 91.5% of our total revenue for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively. Revenue contributed from private sector projects accounted for approximately 78.2%, 27.5%, 44.2% and 8.5% of our total revenue for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively.

The increase in revenue contributed from public sector projects for the year ended 31 December 2016 was mainly due to (i) substantial completion of Project Sengkang General Hospital 2; (ii) the commencement of Project Outram Community Hospital; and (iii) the performance of a greater amount of work for Project Orchard Station during the year.

The decrease in revenue contributed from private sector projects for the year ended 31 December 2016 was mainly due to the fact that a substantial portion of each of the contract sums of Project Tanjong Pagar Hotel, Project Tanjong Pagar Mixed Development, Project Micron and Project Jalan Pemimpin was recognised as revenue during prior years.

The increase in revenue contributed from public sector projects for the four months ended 30 April 2017 was mainly due to the fact that Project New State Courts and Project Outram Community Hospital commenced in June and August 2016, respectively, and thus, no revenue was recognised for these projects during the four months ended 30 April 2016.

The decrease in revenue contributed from private sector projects for the four months ended 30 April 2017 was mainly due to the fact that Project Tanjong Pagar Mixed Development, Project Micron and Project Tanjong Pagar Hotel were completed in June 2016, November 2016 and June 2016, respectively, and thus, no revenue was recognised for these projects during the four months ended 30 April 2017.

The following table sets forth our revenue derived from our projects at different completion stages during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April					
	2015			2016			2016			2017		
	No. of projects handled (Note)	*S$'000*	*%*	*No. of projects handled (Note)*	*S$'000*	*%*	*No. of projects handled (Note)*	*S$'000* (Unaudited)	*%*	*No. of projects handled (Note)*	*S$'000*	*%*
Revenue												
Revenue derived from projects brought forward	8	21,954	73.3	9	21,193	70.5	9	7,880	97.4	7	12,005	98.8
Revenue derived from new projects commenced	7	7,988	26.7	8	8,875	29.5	4	210	2.6	1	150	1.2
	15	29,942	100.0	17	30,068	100.0	13	8,090	100.0	8	12,155	100.0

Note: The number of projects handled as shown in the above table is counted based on the revenue recognised in a particular financial year/period during the Track Record Period.

The following table sets forth the list of projects with contract sum of over S$300,000, which includes the details of each project such as the revenue recognised during the Track Record Period and the percentage of completion by reference to the stage of completion of the contract, which is determined by referencing to the proportion that the actual construction costs incurred for our works performed to date relative to the budget costs, being the estimated total construction costs for the contracts, as at 30 April 2017. The aggregate revenue attributed to each of the following projects represents over 95% of our total revenue generated from our project portfolio during the Track Record Period.

No.	Name of project	Project sector	Revenue recognised for the year ended 31 December 2015	Revenue recognised for the year ended 31 December 2016	Revenue recognised for the four months ended 30 April 2016	Revenue recognised for the four months ended 30 April 2017	Percentage of completion as at 30 April 2017
			S$'000	*S$'000*	*S$'000* (Unaudited)	*S$'000*	*%*
1	Project Tanjong Pagar Mixed Development	Private	8,505	1,043	854	—	100.0
2	Project Tanjong Pagar Hotel	Private	4,795	1,754	1,070	—	100.0
3	Project Sengkang General Hospital 2	Public	3,168	8,045	2,734	3,935	96.0
4	Project Micron	Private	4,096	3,039	1,074	—	100.0
5	Project Orchard Station	Public	529	6,815	1,664	1,530	23.4
6	Project Amkor	Private	3,233	150	149	—	100.0
7	Project Sengkang General Hospital 1	Public	2,233	—	—	—	100.0
8	Project Jalan Pemimpin	Private	1,804	—	—	—	100.0
9	Project Jalan Buroh	Public	540	—	—	—	100.0
10	Project Jurong Island	Private	759	—	—	—	100.0
11	Project New State Courts	Public	—	2,143	—	1,992	17.7
12	Project Paya Lebar Central	Private	—	156	—	223	20.0

No.	Name of project	Project sector	Revenue recognised for the year ended 31 December 2015	Revenue recognised for the year ended 31 December 2016	Revenue recognised for the four months ended 30 April 2016	Revenue recognised for the four months ended 30 April 2017	Percentage of completion as at 30 April 2017
			S$'000	*S$'000*	*S$'000* (Unaudited)	*S$'000*	*%*
13	Project Outram Community Hospital	Public	—	4,671	—	3,666	35.0
14	Project SICC	Private	—	1,394	—	378	98.3
15	Project Jurong Hotel[(2)]	Private	—	—	—	281	100.0
	Others[(1)]	Public/ Private	280	858	545	150	100.0
			29,942	30,068	8,090	12,155	

Notes:

1. From time to time, our Group also undertakes projects in which we have short-term arrangement of supplying labour workforce for reinforced concrete works to our customers, who are subcontractors of these projects. For this type of projects, the contract amount is relatively small. For the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, we participated in five, seven, seven and one projects with the respective contracts in relation to short-term arrangements of supplying labour workforce, which were on a unit rate basis, respectively. The revenue generated from each of these projects ranged from approximately S$1,440 to approximately S$300,000 and the total revenue we generated from this type of projects was approximately S$0.3 million, S$0.9 million, S$0.5 million and S$0.2 million for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively, representing approximately 1.0%, 3.0%, 6.2% and 1.6% of our total revenue for the corresponding periods.

2. Project Jurong Hotel was completed in September 2014. Remeasurements of this project were subsequently certified by our customer during the four months ended 30 April 2017 while the respective costs for these remeasurements were incurred during the construction period.

Direct costs

The following table sets out the breakdown of our direct costs during the Track Record Period:

	For the year ended 31 December 2015		2016		For the four months ended 30 April 2016		2017	
	S$'000	*%*	*S$'000*	*%*	*S$'000* (Unaudited)	*%*	*S$'000*	*%*
Cost of construction materials and consumbles	2,310	9.6	6,482	26.7	1,347	20.2	3,036	37.4
Direct labour	12,932	53.6	10,185	41.9	2,813	42.2	3,594	44.3
Subcontracting charges	5,771	23.9	5,533	22.8	1,692	25.4	826	10.2
Accommodation expenses	1,081	4.5	746	3.1	268	4.0	159	2.0
Other direct costs	2,028	8.4	1,340	5.5	545	8.2	505	6.1
	24,122	100.0	24,286	100.0	6,665	100.0	8,120	100.0

Our cost of construction materials and consumables increased by approximately S$4.2 million, or approximately 182.6%, from approximately S$2.3 million for the year ended 31 December 2015 to approximately S$6.5 million for the year ended 31 December 2016, representing approximately 9.6% and 26.7% of our direct costs for the same years. Such increase in our cost of construction materials and consumables was mainly due to the commencement of Project Outram Community Hospital, which we are required to purchase steel reinforcing bars. For other projects, except for Project Micron, which was undertaken in both 2015 and 2016, steel reinforcing bars were provided by our customers.

Our subcontracting charges decreased by approximately S$0.9 million, or approximately 52.9%, from approximately S$1.7 million for the four months ended 30 April 2016 to approximately S$0.8 million for the four months ended 30 April 2017, representing approximately 25.4% and 10.2% of our direct costs for the same periods. Such decrease in our subcontracting charges was mainly due to the completion of Project Tanjong Pagar Mixed Development and Project Tanjong Pagar Hotel both in June 2016, for which we engaged subcontractors to perform substantial portion of formwork erection for these projects.

Cost of construction materials and consumables

Cost of construction materials and consumables mainly represents direct costs for the purchases of construction materials, such as timber, plywood, steel and aluminium and formwork-related components, which are directly attributed to our construction project works.

Direct labour

Direct labour represents salaries and benefits to our staff who are directly involved in the provision of our construction works.

Subcontracting charges

Subcontracting charges represent fees paid to our subcontractors, who mainly perform steel reinforcement works and formwork erection works for us.

Accommodation expenses

Accommodation expenses represent costs for leasing dormitories for our foreign workers, who are directly involved in the provision of our construction project works.

Other direct costs

Other direct costs include less significant and/or miscellaneous direct costs for carrying out the formwork erection works undertaken by us, which mainly include conservancy charges for our foreign workers, rental of equipment, utility expenses and depreciation of our site equipment.

Gross profit and gross profit margin

The following tables set forth our gross profits and gross profit margins by business type and business sector for the Track Record Period:

	For the year ended 31 December				For the four months ended 30 April		For the four months ended 30 April	
	2015		2016		2016		2017	
	Gross profit S$'000	*Gross profit margin %*	*Gross profit S$'000*	*Gross profit margin %*	*Gross profit S$'000 (Unaudited)*	*Gross profit margin %*	*Gross profit S$'000*	*Gross profit margin %*
General building projects	5,225	18.1	4,185	19.1	1,096	17.1	3,739	36.5
Civil engineering projects	595	55.7	1,597	19.5	329	19.8	296	15.5
	5,820	19.4	5,782	19.2	1,425	17.6	4,035	33.2

	For the year ended 31 December				For the four months ended 30 April		For the four months ended 30 April	
	2015		2016		2016		2017	
	Gross profit S$'000	*Gross profit margin %*	*Gross profit S$'000*	*Gross profit margin %*	*Gross profit S$'000 (Unaudited)*	*Gross profit margin %*	*Gross profit S$'000*	*Gross profit margin %*
Public sector projects	1,635	25.0	4,986	22.9	1,299	28.8	3,662	32.9
Private sector projects	4,185	17.9	796	9.6	126	3.5	373	36.1
	5,820	19.4	5,782	19.2	1,425	17.6	4,035	33.2

During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on various factors, including (i) the nature and complexity of projects that were undertaken by our Group; (ii) the progress of such projects during the relevant financial year; and (iii) our cost control and management, including execution of works efficiently. Our Directors consider that higher margin is expected to result from the optimised design of customised formwork proposals as the correct choice and mix of timber and system formworks can achieve cost savings in labour costs and/or material costs. As such, our gross profit margin achieved in a financial year is not an accurate indicator of the gross profit margin that may be achieved in the subsequent financial year.

Our gross profit remained stable at approximately S$5.8 million and S$5.8 million for the two years ended 31 December 2016, respectively. Meanwhile, our gross profit margin remained relatively stable at approximately 19.4% and 19.2% for the two years ended 31 December 2016, respectively.

Our gross profit increased by approximately S$2.6 million, or approximately 185.7%, from approximately S$1.4 million for the four months ended 30 April 2016 to approximately S$4.0 million for the four months ended 30 April 2017. Meanwhile, our gross profit margin increased from approximately 17.6% for the four months ended 30 April 2016 to approximately 33.2% for the four months ended 30 April 2017.

General building

Our gross profit margin for our general building projects increased from approximately 18.1% for the year ended 31 December 2015 to approximately 19.1% for the year ended 31 December 2016. The increase in gross profit margin for our general building projects was mainly attributable to the higher gross profit margin achieved by Project Sengkang General Hospital 2. The effect was partially offset by the negative gross profit margins recorded by Project Tanjong Pagar Hotel and Project Amkor. The higher gross profit margin for Project Sengkang General Hospital 2 was attributable to the result of i) significant progress billings which had been certified for the remeasurements; ii) the recognition of revenue in relation to the remeasurements upon incurrence of all the relevant costs; and iii) effective cost management in relation to the remeasurements. Negative gross profit margins recorded by Project Tanjong Pagar Hotel and Project Amkor were due to the fact that the estimated total construction costs was revised upward to take into account the costs to be incurred for remeasurements to be undertaken during the year ended 31 December 2016, and additional progress billings in relation to the remeasurements were not yet ascertained during the same year.

Our gross profit margin for our general building projects increased from approximately 17.1% for the four months ended 30 April 2016 to approximately 36.5% for the four months ended 30 April 2017. The increase in gross profit margin for our general building projects was mainly attributable to the higher gross profit margin achieved by Project Sengkang General Hospital 2, which was primarily due to the downward revision of our estimated total construction costs for this project during the period. At an initial stage of construction, our management took into account the anticipated costs envisaged for expected variation works. However, due to a change in allocation of construction work required for the hospital in later stage of the project, we were informed by our customer that a portion of expected variation orders comprising steel reinforcement works, formworks and concrete works would no longer be required from us. Therefore, the overall estimated total construction costs had been revised downward accordingly, which led to the increase in gross profit margin for Project Sengkang General Hospital 2 mainly resulting from recognition of relatively more revenue.

Civil engineering

Our gross profit margin for our civil engineering projects decreased from approximately 55.7% for the year ended 31 December 2015 to approximately 19.5% for the year ended 31 December 2016. The decrease in gross profit margin for our civil engineering projects was mainly attributable to the significantly higher gross profit margin achieved by Project Jalan Buroh for the year ended 31 December 2015. The high gross profit margin of Project Jalan Buroh was due to the work performed in the preceding year which was only confirmed by our customer during the year ended 31 December 2015.

Our gross profit margin for our civil engineering projects decreased from approximately 19.8% for the four months ended 30 April 2016 to approximately 15.5% for the four months ended 30 April 2017. The decrease in gross profit margin for our civil engineering projects was mainly attributable to the low gross profit margin recorded by Project SICC. Such low gross profit margin for this project was primarily due to the upward revision of the estimated total construction costs, taking into account the increased subcontracting charges incurred for this project.

Public sector

During the Track Record Period, our gross profit margin for public sector projects was generally higher than that for private sector projects. The higher gross profit margin for public sector projects is normally expected since a number of our public sector projects, such as Project Jalan Buroh and Project Sengkang General Hospital 2, were with a higher profit margin for the two years ended 31 December 2016, respectively, as discussed above.

Our gross profit margin for public sector projects increased from approximately 28.8% for the four months ended 30 April 2016 to approximately 32.9% for the four months ended 30 April 2017. The increase was mainly attributable to the higher gross profit achieved by Project Sengkang General Hospital 2, as discussed above.

Private sector

Our gross profit margin for private sector projects decreased from approximately 17.9% for the year ended 31 December 2015 to approximately 9.6% for the year ended 31 December 2016, which was mainly due to the completion of certain projects with higher overall gross profit margin (ranging from approximately 11.0% to 22.8%) in 2015 and before mid 2016, such as Project Tanjong Pagar Mixed Development and Project Jurong Island.

Our gross profit margin for our private sector projects increased from approximately 3.5% for the four months ended 30 April 2016 to approximately 36.1% for the four months ended 30 April 2017. The increase in our gross profit margin for our private sector projects was mainly attributable to the revenue recognised in relation to the remeasurements we performed for Project Jurong Hotel, which was completed in September 2014. Such remeasurements work was certified by our customer during the four months ended 30 April 2017 and revenue in relation to the remeasurements was recognised accordingly as no further costs would be incurred and the respective costs for the remeasurements were incurred during the construction period. In addition, negative gross profit margins were recorded for Project Tanjong Pagar Hotel and Project Amkor for the four months ended 30 April 2016, which were due to the fact that the estimated total construction costs for these projects were revised upward to take into account the costs to be incurred for remeasurements to be undertaken during the four months ended 30 April 2016, and additional progress billings in relation to the remeasurements were not yet ascertained during the same period.

Other (expenses)/income, net

Our net other expenses and income primarily consisted of (i) government grants; (ii) rental income; (iii) bad debt provision; and (iv) net gain on disposal of property, plant and equipment. During the Track Record Period, we received government grants of approximately S$0.1 million, S$0.1 million, S$0.1 million and S$36,000 for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively, from the Singapore government, which were mainly offered to us for (i) hiring Singaporean workers aged 55 or above; and (ii) Singaporean employees earning a gross monthly wage of $4,000 and below under the special employment credit scheme. There were no conditions or contingencies relating to those government grants. Our rental income was derived from leasing of our industrial building unit to a third party under operating lease. Our bad debt provision represented provision for impairment of trade and retention sum receivables related to trade and retention sum receivables which we considered to be impaired based on the low likelihood of collectability, which amounted to approximately S$0.5 million for the year ended 31 December 2015. Our net gain on disposals of property, plant and equipment represented the gain on disposal of a motor vehicle and write-off of our furniture and fixtures during the two years ended 31 December 2016 and the four months ended 30 April 2016, respectively and no such gain on disposal of property, plant and equipment was recognised for the four months ended 30 April 2017. The following table sets forth the breakdown of our net other (expenses)/income during the Track Record Period:

	For the year ended 31 December		**For the four months ended 30 April**	
	2015	**2016**	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*	*S$'000*
			(Unaudited)	
Government grants	87	82	51	36
Rental income	3	28	11	11
Bank interest income	—	—	—	1
Net gain on disposal of property, plant and equipment	93	37	37	—
Written off of property, plant and equipment	(3)	—	—	—
Bad debt provision	(525)	—	—	—
Sundry income	5	16	14	25
	(340)	163	113	73

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the Track Record Period:

	For the year ended 31 December		For the four months ended 30 April	
	2015	**2016**	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*	*S$'000*
			(Unaudited)	
Staff costs	785	795	305	313
Directors' remuneration	887	1,101	393	296
Rent, rate and management fees	14	11	4	5
Depreciation of property, plant and equipment	206	169	52	51
Legal and professional expenses	67	48	8	6
Travelling expenses	91	69	22	1
Entertainment expenses	80	72	25	20
Motor vehicle expenses	114	136	77	47
Office expenses	49	39	8	16
Telephone expenses	46	35	13	10
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other miscellaneous expenses	241	151	68	99
Total	2,580	2,626	975	2,463

Administrative expenses comprised mainly staff costs and directors' remuneration. Others mainly included depreciation of property, plant and equipment, legal and professional expenses, travelling expenses, entertainment expenses, motor vehicle expenses, office expenses, telephone expenses and other miscellaneous expenses. Administrative expenses amounted to approximately S$2.6 million, S$2.6 million, S$1.0 million and S$2.5 million for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively.

Staff costs related to staff salaries and bonus, CPF contributions and other benefits. Our staff costs amounted to approximately S$0.8 million, S$0.8. million, S$0.3 million and S$0.3 million for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively. Remuneration for our Directors amounted to approximately S$0.9 million, S$1.1 million, S$0.4 million and S$0.3 million for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively.

Depreciation of our property, plant and equipment amounted to approximately S$0.2 million, S$0.2 million, S$0.1 million and S$0.1 million for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively. Legal and professional expenses mainly related to audit fee, tax agent fee and consultancy fee.

Other miscellaneous expenses included repair and maintenance expenses, stamp duties, printing and stationery expenses and sundry expenses. Other miscellaneous expenses amounted to approximately S$0.2 million, S$0.2 million, S$0.1 million and S$0.1 million for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively. Our administrative expenses amounted to approximately 8.6%, 8.7%, 12.1% and 20.3% of our total revenue for the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, respectively.

Finance costs

Our finance costs represent interest expenses on bank borrowings and obligation under finance lease. For the two years ended 31 December 2016 and each of the four months ended 30 April 2016 and 2017, our finance costs amounted to S$23,000, S$37,000, S$10,000 and S$13,000, respectively.

	For the year ended 31 December		For the four months ended 30 April	
	2015	2016	2016	2017
Interest on:	*S$'000*	*S$'000*	*S$'000* (Unaudited)	*S$'000*
bank borrowings wholly repayable on demand	16	25	6	9
obligation under finance lease wholly repayable within five years	7	12	4	4
	23	37	10	13

As at 30 April 2017, our bank borrowings amounted to approximately S$0.7 million and our obligation under finance lease of approximately S$0.3 million represented lease for our motor vehicles and a hydraulic crawler crane.

Income tax expense/credit

Since our operation is based in Singapore, our Group is liable to pay corporate income tax in accordance with the tax regulations of Singapore. Income tax expense of our Group amounted to approximately S$0.4 million, S$0.3 million and S$0.5 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Our Group had a tax credit of approximately S$18,000 for the four months ended 30 April 2016, which was primarily due to the over-provision in prior year.

The statutory corporate tax rate in Singapore was 17% throughout the Track Record Period, while our corresponding effective tax rates were approximately 13.0%, 9.4% and 31.8% for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Our effective tax rate was lower than the statutory tax rate for the two years ended 31 December 2016 and for the four months ended 30 April 2016, which was mainly due to, amongst others, non-taxable income, tax incentives and rebates relating to the Productivity and Innovation Credit Scheme ("**PIC Scheme**"), under which we had additional tax deductions and temporary differences. The PIC Scheme allows, amongst others, companies with active business operations in Singapore to claim (i) tax deductions and/or allowances; and/or (ii) cash payouts; and/or (iii) cash bonuses (on a dollar for dollar matching basis) in addition to (i) and/or (ii) above, in respect of certain qualifying activities undertaken by such companies, including the acquisition or leasing of certain qualifying equipment and certain types of training of employees, subject to prescribed expenditure caps. The effective tax rate of approximately 31.8% for the four months ended 30 April 2017 was higher than the Singapore Corporate Income tax rate, which was 17% during the Track Record Period. This was primarily due to **[REDACTED]** expenses incurred being non-deductible for income tax purposes. Our Directors have confirmed that all relevant taxes had been paid when due and there are no disputes or unresolved tax issues with the relevant tax authorities.

JOINT OPERATION

Our Group has been participating in various construction projects in Singapore with extensive experience in steel reinforcement works. In 2013, our Group was invited to participate in a sizeable and landmark development project, namely, Project Tanjong Pagar Mixed Development, which comprises residential, a five-star hotel, office and retail outlets and, upon completion, it was the tallest building in Singapore. Since our Group was required to perform substantial formwork, if the tender was awarded to us, which we had not actively engaged in, we had set up an unincorporated joint arrangement (the "**Joint Operation**") with Joint Operator, an Independent Third Party general contractor, for the share of the Shared Works. Under the Joint Operation, each of our Group and Joint Operator agreed to contribute S$0.3 million as initial working capital to start up the Shared Works and relevant ongoing costs would be shared equally. There is the subsequent contribution of initial working capital of S$0.3 million, from our Group and Joint Operator, respectively. The Joint Operation has been effective upon its setup and shall last until the final account under the Joint Operation is issued (i.e. subject to the finalisation of work done with the main contractor). During our construction phase of Project Tanjong Pagar Mixed Development, all financial benefits from the Shared Works would be accounted for in equal proportion.

Pursuant to the Joint Operation, both parties have agreed to engage Customer D/Supplier C/ Subcontractor A, an independent third party construction company, also being one of our customers during the Track Record Period, to perform the Shared Works whilst Joint Operator would be responsible for the supervision and procurement of the performance of Customer D/Supplier C/ Subcontractor A. In addition, certain managerial staff, including a project director, an assistant project manager and an administrative personnel, shall also be appointed by us and Customer D/Supplier C/ Subcontractor A for the Shared Works with relevant staff costs to be shared equally under the Joint Operation.

It is also agreed under the Joint Operation that, among others, (i) we, as a subcontractor to Project Tanjong Pagar Mixed Development, shall distribute the payments relating to the Shared Works received from the main contractor to Joint Operator in accordance with the agreed proportion; (ii) all related costs or expenses for the Shared Works borne by us shall be shared equally under the Joint Operation based on the final remeasurements; and (iii) any expenses, backcharges by the main contractor and any other related expenses such as imposition of liquidated damages, unexpected damages, and all the obligations taken by us, shall be shared equally under the Joint Operation.

The reasons for setting up the Joint Operation are mainly that (i) Project Tanjong Pagar Mixed Development is a sizeable and landmark development project in Singapore, which was expected to demand extra supervision to meet the main contractor's requirement in terms of time and quality; (ii) to obtain additional fund to finance our initial working capital to start up the Shared Works as purchases of construction work materials and relevant consumables are usually required for the formwork; and (iii) certain risk in relation to our project cost budgeting and performance under Project Tanjong Pagar Mixed Development (i.e. profit or loss from the Shared Works) could also be shared with Joint Operator, given that we did not have extensive prior experience in participating in sizeable and lengthy formwork projects.

Our management performed an assessment of whether we have joint control over the Joint Operation. Pursuant to the respective terms of the Joint Operation, decisions regarding all the relevant activities of the Joint Operation require unanimous consent of our Group and Joint Operator. Accordingly, our management concluded that we have joint control over the Joint Operation.

After considering the rights and obligations of our Group and the Joint Operator to the Joint Operation with reference to the structure, the legal form of the joint arrangement, the contractual terms agreed by us and Joint Operator in the joint arrangement, and the relevant facts and circumstances, our management concluded that the joint arrangement should be classified as joint operation under IFRS 11 as the joint arrangement specified both our Group and the Joint Operator have rights to the assets and obligations to the liabilities relating to the Joint Operation.

Our Group accounts for the assets, liabilities, revenues and expenses relating to our interest in the Joint Operation in accordance with the IFRS 11, which is equally shared between our Group and Joint Operator.

In view of the fact that the initial working capital and the subsequent working capital for the Shared Works were jointly contributed by us and Joint Operator to our designated bank account and subsequent receipts from the main contractor for the provision of our works and payments of expense to our suppliers including Customer D/Supplier C/Subcontractor A for their supervision and performance of the Shared Works were generally made via our principal bank accounts, the amount due to Joint Operator is recorded, which takes into account (i) the initial and subsequent capital contributions by Joint Operator; (ii) the shared profit from its performance of the Shared Works after netting off the shared costs and expenses based on the allocation and calculation agreed by both parties with reference to the project specification and progress; and (iii) the repayment of partial capital contribution to Joint Operator.

During the two years ended 31 December 2016, revenue recognised for the formwork part of Project Tanjong Pagar Mixed Development amounted to approximately S$5.6 million and S$0.6 million, respectively. Since our Group and Joint Operator equally shared the benefit from and costs incurred for the formwork part of the project, (i) approximately S$2.8 million and S$0.3 million (being half of the formwork revenue above and represent approximately 9.4% and 1.0% of our total revenue for the two years ended 31 December 2016, respectively; and (ii) approximately S$2.5 million and S$0.3 million (being half of the formwork costs) were attributable to us and Joint Operator during the two years ended 31 December 2016, respectively. Thus, we shared a gross profit of approximately S$0.3 million, a gross loss of S$49,000 for the two years ended 31 December 2016 from the formwork part of Project Tanjong Pagar Mixed Development. Taking into account the repayment of capital to Joint Operator during the Track Record Period, the amount due to Joint Operator amounted to approximately S$0.7 million, S$0.6 million and S$0.3 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. Since Project Tanjong Pagar Mixed Development was completed in June 2016 pending the issue of final accounts by the main contractor, no revenue and costs were recognised for the project during the four months ended 30 April 2017, and the amount due to Joint Operator is expected to be settled by that time and the Joint Operation will cease accordingly.

RESULTS OF OPERATIONS OF OUR GROUP

Four months ended 30 April 2017 compared to four months ended 30 April 2016

Revenue

Our revenue increased by approximately S$4.1 million, or approximately 50.6%, from approximately S$8.1 million for the four months ended 30 April 2016 to approximately S$12.2 million for the four months ended 30 April 2017. The increase in our revenue for the four months ended 30 April 2017 as compared with the same period in 2016 was mainly attributable to (i) the increase in revenue of approximately S$1.2 million recognised for our existing projects such as Project Sengkang General Hospital 2 as a result of a greater portion of works performed during the four months ended 30 April 2017; and (ii) the additional revenue of approximately S$2.0 million and S$3.7 million recognised for our new projects such as Project New State Courts and Project Outram Community Hospital, respectively, which commenced in June and August 2016, respectively, and thus, no revenue was recognised for these projects during the four months ended 30 April 2016. The effect was partially offset by the decrease in revenue of approximately S$0.9 million, S$1.1 million and S$1.1 million recognised for Project Tanjong Pagar Mixed Development, Project Micron and Project Tanjong Pagar Hotel, respectively, which were completed in June 2016, November 2016 and June 2016, respectively, and thus, no revenue was recognised for these projects during the four months ended 30 April 2017.

Direct costs

Our direct costs increased by approximately S$1.4 million, or approximately 20.9%, from approximately S$6.7 million for the four months ended 30 April 2016 to approximately S$8.1 million for the four months ended 30 April 2017. Such increase was in line with the increase in revenue of approximately 42.0% for the same period, which was mainly attributable to the increase in our cost of construction materials and consumables and direct labour. Such increase was partially offset by the decrease in our subcontracting charges.

The increase in our cost of construction materials and consumables mainly resulted from the performance of Project Outram Community Hospital, for which we are required to purchase steel reinforcing bars. The increase in our direct labour cost was mainly due to the increase in the number of construction workers we employed during the four months ended 30 April 2017 which also led to the decrease in our subcontracting charges.

Gross profit and gross profit margin

Our gross profit increased by approximately S$2.6 million, or approximately 185.7%, from approximately S$1.4 million for the four months ended 30 April 2016 to approximately S$4.0 million for the four months ended 30 April 2017, which was mainly attributable to an increase in gross profit for Project Sengkang General Hospital 2 of approximately S$1.5 million. The gross profit increased in line with the increase in our revenue. Our gross profit margin increased from approximately 17.6% for the four months ended 30 April 2016 to approximately 33.2% for the four months ended 30 April 2017. The aforesaid overall increase in our gross profit margin was mainly attributable to the higher gross profit margin achieved by Project Sengkang General Hospital 2, which was primarily due to the downward revision of our estimated total construction costs for this project during the period. At an initial stage of construction, our management took into account of the anticipated costs envisaged for expected variation works, however, as Project Sengkang General Hospital 2 had been substantially completed as at 30 April 2017, we were informed by our customer that no variation orders would be needed to perform and therefore no estimated total construction costs in relation to such variation orders were expected to be incurred and the overall estimated total construction costs had been revised downward accordingly, which led to the increase in gross profit margin for Project Sengkang General Hospital 2 mainly resulting from relatively more revenue had been recognised.

Other (expenses)/income, net

Our net other income remained relatively stable at approximately S$0.1 million and S$0.1 million for the four months ended 30 April 2016 and 30 April 2017, respectively.

Administrative expenses

Our administrative expenses increased by approximately S$1.5 million, or approximately 150.0%, from approximately S$1.0 million for the four months ended 30 April 2016 to approximately S$2.5 million for the four months ended 30 April 2017. The increase in administrative expenses was mainly due to the incurrence of the **[REDACTED]** expenses, which were non-recurring in nature, during the four months ended 30 April 2017.

Finance costs

Our finance costs remained relatively stable at approximately S$10,000 and S$13,000 for the four months ended 30 April 2016 and 30 April 2017, respectively.

Income tax expense

We had a tax credit of approximately S$18,000, which was primarily due to the overprovision in prior year. We incurred income tax expense of approximately S$0.5 million. Our effective tax rate was approximately 31.8% for the four months ended 30 April 2017 primarily due to the **[REDACTED]** expenses incurred, which are non-deductible for income tax purposes.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately S$0.5 million, or approximately 83.3%, from approximately S$0.6 million for the four months ended 30 April 2016 to approximately S$1.1 million for the four months ended 30 April 2017.

Our net profit margin increased from approximately 7.1% for the four months ended 30 April 2016 to approximately 9.2% for the four months ended 30 April 2017. The increase in net profit margin for the period was primarily due to the increase in our gross profit, which primarily resulted from the increase in the gross profit margin of Project Sengkang General Hospital 2. The effect was partially offset by the increase in administrative expenses, mainly resulting from the incurrence of **[REDACTED]** expenses.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue increased by approximately S$0.2 million, or approximately 0.4%, from approximately S$29.9 million for the year ended 31 December 2015 to approximately S$30.1 million for the year ended 31 December 2016. The increase in our revenue for the year ended 31 December 2016 was mainly attributable to (i) the increase in revenue of approximately S$4.8 million and S$6.3 million recognised for Project Sengkang General Hospital 2 and Project Orchard Station, respectively, as a result of greater portions of works performed during the year ended 31 December 2016; and (ii) the commencement of Project Outram Community Hospital with a revenue of approximately S$4.7 million being recognised during the year ended 31 December 2016. The effect was partially offset by (i) the decrease in revenue of approximately S$7.5 million, S$3.1 million and S$3.0 million recognised for Project Tanjong Pagar Mixed Development, Project Amkor and Project Tanjong Pagar Hotel, respectively, resulting from lesser portions of works being performed during the year ended 31 December 2016 as they were substantially completed as at 31 December 2015; and (ii) no revenue being recognised for Project Sengkang General Hospital 1 during the year ended 31 December 2016 as it was completed as at 31 December 2015, while approximately S$2.3 million of revenue was recognised for the year ended 31 December 2015.

Direct costs

Our direct costs increased by approximately S$0.2 million, or approximately 0.7%, from approximately S$24.1 million for the year ended 31 December 2015 to approximately S$24.3 million for the year ended 31 December 2016. Such increase was mainly attributable to (i) the commencement of Project Outram Hospital Community and Project New State Courts; and (ii) greater portions of works being performed for Project Sengkang General Hospital 2 and Project Orchard Station during the year ended 31 December 2016 and thus we incurred a higher level of related expenses for the performance of our services.

Gross profit and gross profit margin

Our gross profit remained stable at approximately S$5.8 million and S$5.8 million for the two years ended 31 December 2016, respectively. The gross profit increased in line with the increase in our revenue. Our gross profit margin remained relatively stable at approximately 19.4% and 19.2% for the two years ended 31 December 2016, respectively.

Other (expenses)/income, net

For the year ended 31 December 2015, we recorded net other expenses of approximately S$0.3 million, which mainly comprised a bad debt provision of approximately S$0.5 million. Such bad debt provision was recognised as other expenses and it was partially offset by (i) government grants of approximately S$0.1 million recognised for the year ended 31 December 2015; and (ii) a net gain on disposal of property, plant and equipment of approximately S$0.1 million. For the year ended 31 December 2016, we recorded net other income of approximately S$0.2 million, which was mainly due to (i) no bad debt provision being recognised during the year; and (ii) an increase in our rental income from leasing our industrial property since May 2016.

Administrative expenses

Our administrative expenses remained relatively stable at approximately S$2.6 million and S$2.6 million for the two years ended 31 December 2016, respectively.

Finance costs

Our finance costs increased by approximately S$14,000, or approximately 60.9%, from approximately S$23,000 for the year ended 31 December 2015 to approximately S$37,000 for the year ended 31 December 2016. Such increase in finance costs was mainly due to an increase in interest charged on our mortgage loan as the interest rate went up during the year.

Income tax expense

Our income tax expense decreased by approximately S$0.1 million, or approximately 25.0%, from approximately S$0.4 million for the year ended 31 December 2015 to approximately S$0.3 million for the year ended 31 December 2016. The decrease in income tax expense was mainly due to the under provision of income tax expense in respect of prior years, which amounted to approximately $0.1 million. Our effective tax rate was approximately 13.0% and 9.4% for the two years ended 31 December 2016, respectively, which was below the statutory tax rate of 17% in Singapore, which was mainly due to the tax incentives of approximately S$0.2 million and S$0.2 million for the two years ended 31 December 2016, respectively, which our Group enjoyed from the Singapore government.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately S$0.5 million, or approximately 20.0%, from approximately S$2.5 million for the year ended 31 December 2015 to approximately S$3.0 million for the year ended 31 December 2016.

Our net profit margin also slightly increased from approximately 8.4% for the year ended 31 December 2015 to approximately 9.9% for the year ended 31 December 2016. The increase in net profit margin for the year was mainly attributable to (i) a net other income being recongnised for the year ended 31 December 2016, whereas net other expenses were recongnised for the year ended 31 December 2015; and (ii) a decrease in income tax expense for the year as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

Our primary use of cash is to fund our operations. We have historically funded our liquidity and capital requirements primarily through a combination of capital contributions from our Controlling Shareholders, bank borrowings and internally generated funds from our operating activities. We had net cash generated from operating activities of approximately S$2.9 million and S$7.9 million for the two years ended 31 December 2016, respectively. We had net cash used in operating activities of approximately S$2.7 million for the four months ended 30 April 2017. As at 31 December 2015 and 2016 and 30 April 2017, we had bank balances and cash of approximately S$4.3 million, S$7.0 million and S$4.2 million, respectively. Substantially all of our Group's cash and cash equivalents are held in Singapore dollars.

We expect to finance our working capital requirements and the planned capital expenditures for the 12 months following the date of this document with the following sources of funding:

(i) net cash inflows to be generated from our operating activities;

(ii) the cash and cash equivalents available, which were S$4.2 million as at 30 April 2017; and

(iii) **[REDACTED]** to be received by our Group from the **[REDACTED]**.

Based on the above, our Directors believe that we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this document.

For more information on our expected capital expenditure requirements, please refer to the paragraph headed "Capital expenditures" in this section.

Cash flows of our Group

The following table sets forth the selected cash flow data from our combined statements of cash flows for the Track Record Period:

	For the year ended 31 December		For the four months ended 30 April	
	2015	2016	2016	2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
			(Unaudited)	
Net cash generated from/(used in) operating activities	2,907	7,891	1,512	(2,664)
Net cash (used in)/generated from investing activities	(286)	(96)	48	(32)
Net cash used in financing activities	(1,329)	(5,032)	(2,942)	(106)
Net increase/(decrease) in cash and cash equivalents	1,292	2,763	(1,382)	(2,802)
Cash and cash equivalents at the beginning of the year	2,960	4,252	4,252	7,015
Cash and cash equivalents at the end of the year	4,252	7,015	2,870	4,213

Net cash generated from operating activities

Our cash inflow from operating activities is principally derived from providing reinforced concrete works. Our working capital requirements typically arise from purchases of materials and settlements of our staff costs and subcontracting fees. During the Track Record Period, our net cash flows from operating activities represented profit before tax for the year adjusted for income tax paid, income tax refund, finance costs, non-cash items such as depreciation of property, plant and equipment and loss on disposal of property, plant and equipment and changes in working capital.

For the four months ended 30 April 2017, we had net cash used in operating activities of approximately S$2.7 million, which was a combined effect of operating cash inflows before movements in working capital of approximately S$1.7 million, net decrease in working capital changes of approximately S$3.9 million and income tax paid of approximately S$0.5 million. Net decrease in working capital changes was primarily reflected by an increase in trade and retention sum receivables of approximately S$5.0 million, which was mainly attributable to the increase in progress billings in Project Orchard Station and Project New State Courts, resulting from the greater amounts of works performed during the four months ended 30 April 2017. The effect was partially offset by (i) a decrease in amounts due from customers for contract works of approximately S$1.0 million; and (ii) an increase in amounts due to customers for contract works of approximately S$0.9 million.

For the year ended 31 December 2016, we had net cash generated from operating activities of approximately S$7.9 million, which was a combined effect of operating cash inflows before movements in working capital of approximately S$3.6 million, net increase in working capital changes of approximately S$4.8 million and income tax paid of approximately S$0.5 million. Net increase in working capital changes was primarily reflected by (i) a decrease in trade and retention sum receivables of approximately S$6.1 million mainly attributable to the completion of several projects; and (ii) an increase in other payables and accruals of approximately S$2.7 million, mainly arising from increases in accrued salaries and accrued materials costs. The effect was partially offset by (i) an increase in amounts due from customers for contract works of approximately S$3.7 million; and (ii) a decrease in amounts due to customers for contract works of approximately S$0.7 million.

For the year ended 31 December 2015, we had net cash generated from operating activities of approximately S$2.9 million, which was a combined effect of operating cash inflows before movement in working capital changes of approximately S$3.6 million and net decrease in working capital changes of approximately S$0.7 million. Net decrease in working capital changes was primarily reflected by an increase in trade and retention sum receivables of approximately S$7.0 million, which was mainly attributable to the increases in progress billings in Project Micron and Project Tanjong Pagar Mixed Development, resulting from the greater amounts of works performed during the year ended 31 December 2015. The effect was partially offset by (i) an increase in amounts due to customers for contract works of approximately S$5.1 million; and (ii) a decrease in amounts due from customers for contract works of approximately S$2.6 million.

Net cash used in investing activities

Our cash used in investing activities mainly consists of the purchases of property, plant and equipment.

For the four months ended 30 April 2017, we had net cash used in investing activities of approximately S$32,000, which was primarily due to the purchases of property, plant and equipment, mainly including office equipment.

For the year ended 31 December 2016, we had net cash used in investing activities of approximately S$96,000, which was primarily attributable to the purchases of property, plant and equipment, including a forklift and a lorry of approximately S$144,000. The effect was partially offset by the proceeds on disposal of property, plant and equipment of approximately S$48,000, which was mainly attributable to the disposal of a motor vehicle.

For the year ended 31 December 2015, we had net cash used in investing activities of approximately S$0.3 million, which was primarily due to the purchases of property, plant and equipment including a hydraulic crawler crane.

Net cash used in financing activities

Our cash inflows from financing activities mainly consist of proceeds from new finance leases and proceeds from issuance of share capital of our Company. Our cash used in financing activities mainly consist of repayments of borrowings and dividend paid.

For the four months ended 30 April 2017, we had net cash used in financing activities of approximately S$0.1 million, which primarily consisted of (i) a repayment of bank borrowings of approximately S$30,000; and (ii) a repayment of finance leases of approximately S$63,000.

For the year ended 31 December 2016, we had net cash used in financing activities of approximately S$5.0 million, which primarily consisted of (i) advances to directors of approximately S$2.2 million; and (ii) dividend paid in the amount of approximately S$2.5 million.

For the year ended 31 December 2015, we had net cash used in financing activities of approximately S$1.3 million, which primarily consisted of dividend paid in the amount of approximately S$1.1 million.

Working capital sufficiency

Notwithstanding our net cash used in our operating activities for the four months ended 30 April 2017, our Directors believe that it is essential to manage our Group's cash flows effectively so as to ensure sufficiency of working capital and adequate liquidity for our business operations. Our Group manages our overall cash flow by setting up the following measures:

(i) **Monthly cashflow forecast** — Our Group prepares a monthly cash flow forecast in order to supervise our cash position for our operations. For any probable business opportunity, our Directors take into consideration our cash position and available banking facilities at the time prior to the acceptance of any new construction projects.

(ii) **Management of banking facilities and gearing ratio** — We fund our property, working capital and expansion plans by available banking facilities. Our Directors will closely monitor the gearing ratio and our utilised banking facilities at each month end and make the financing decision with reference to our business needs, our repayment ability and credit risk.

WORKING CAPITAL

The following table below sets forth the breakdown of our current assets, current liabilities and net current assets as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017.

	As at 31 December		As at 30 April	As at 31 August
	2015	2016	2017	2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
				(Unaudited)
Current assets				
Trade and retention sum receivables	10,156	2,684	6,693	3,882
Amounts due from customers for contract works	710	4,426	3,428	2,497
Prepayments, deposits and other receivables	836	883	1,453	1,553
Amounts due from directors	2,294	4,491	3,840	4,491
Amount due from related companies	130	93	—	—
Cash and cash equivalents	4,252	7,015	4,213	6,965
	18,378	19,592	19,627	19,388
Current liabilities				
Trade and retention sum payables	1,194	1,499	1,005	1,100
Amounts due to customers for contract works	5,972	5,282	6,197	5,602
Other payables and accruals	3,772	6,513	6,784	6,642
Amount due to a director	966	954	954	954
Amounts due to related companies	604	706	—	—
Bank borrowings	860	771	741	713
Obligation under finance lease	197	188	188	188
Tax payables	632	414	405	970
	14,197	16,327	16,274	16,169
Net current assets	4,181	3,265	3,353	3,219

We record net current assets of approximately S$4.2 million, S$3.3 million, S$3.4 million and S$3.2 million as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017, respectively.

Our net current assets decreased from approximately S$3.4 million as at 30 April 2017 to approximately S$3.2 million as at 31 August 2017. The decrease was mainly due to (i) a decrease in trade and retention sum receivables by approximately S$2.8 million primarily resulting from the decrease in progress billings in connection with Project Sengkang General Hospital 2 and Project SICC, which were both completed in June 2017; and (ii) a decrease in amounts due from customers for contract works by approximately S$0.9 million primarily resulting from the amount due from customers for contract works in relation to Project SICC had been subsequently recovered after its completion in June

2017. The effect was partially offset by (i) an increase in cash and cash equivalents by approximately S$2.8 million primarily resulting from continuous cash inflows from our operating activities; and (ii) a decrease in amounts due to customers for contract works by approximately S$0.6 million primarily resulting from the adjustment of total construction costs for Project Sengkang Hospital 2 to reflect the final actual costs when the project was completed in June 2017.

Our net current assets remained relatively stable at approximately S$3.3 million and S$3.4 million as at 31 December 2016 and 30 April 2017, respectively.

Net current assets decreased from approximately S$4.2 million as at 31 December 2015 to approximately S$3.3 million as at 31 December 2016. The decrease in net current assets of approximately S$0.9 million was mainly due to (i) a decrease in trade and retention sum receivables of approximately S$7.5 million mainly attributable to the decrease in progress billings in connection with Project Micron and Project Tanjong Pagar Mixed Development during the year, which were completed in November 2016 and June 2016, respectively and all of the trade receivables in connection with such projects were settled as at 31 December 2016; and (ii) an increase in other payables and accruals of approximately S$2.7 million mainly resulted from the increase in accrued salaries for our labour, representing increasing labour in contract works; and increase in accrued cost of construction materials and consumables, which was in line with the growing trend of the size of our contract sum. The effect was partially offset by (i) an increase in amounts due from customers for contract works of approximately S$3.7 million primarily resulting from the increase in revenue for Project SICC and Project Outram Community Hospital due to their commencements of work during the year; (ii) an increase in amounts due from directors of approximately S$2.2 million primarily resulting from an increase in the amount of advance to our directors; (iii) an increase in cash and cash equivalents of approximately S$2.7 million primarily resulting from continuous cash inflows from our operating activities mainly attributable to the decrease in balances of approximately S$2.0 million between years relating to Project Micron, which was completed in November 2016.

Please refer to the paragraph headed "Discussion of selected statements of financial position items" in this section for a discussion of various current assets and current liabilities items.

DISCUSSION OF SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

Investment property

During the Track Record Period, our investment property represented an industrial building unit held by our Group leased out to an Independent Third Party for generating rental income. Our investment property remained stable at approximately at S$0.3 million, S$0.3 million and S$0.3 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively.

The fair value of our investment property amounted to approximately S$0.6 million, S$0.6 million and S$0.6 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, and the valuation of our investment property has been carried out by an independent property valuer.

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly comprised a property, leasehold improvements, furniture and fixtures, machinery and equipment, and motor vehicles. Our property represented our office premises. As at 31 December 2015, 31 December 2016 and 30 April 2017, the carrying amounts of our property, plant and equipment amounted to approximately S$2.4 million, S$2.3 million and S$2.2 million, respectively.

Our property, plant and equipment decreased slightly by approximately S$0.1 million, or approximately 4.2%, from approximately S$2.4 million as at 31 December 2015 to approximately S$2.3 million as at 31 December 2016, which was primarily due to the depreciation provided for the year amounted to approximately S$0.3 million, which was partially offset by the additions of machinery and equipment and motor vehicles for our operations amounted to approximately S$0.2 million.

Our property, plant and equipment further decreased by approximately S$0.1 million, or approximately 4.3%, from approximately S$2.3 million as at 31 December 2016 to approximately S$2.2 million as at 30 April 2017, which was mainly due to the depreciation provided for the period amounted to approximately S$0.1 million.

Trade and retention sum receivables

Our trade and retention sum receivables (net of provision of impairment) as at 31 December 2015 and 2016 and 30 April 2017 were approximately S$12.9 million, S$6.8 million and S$11.9 million, respectively. The following table sets forth a breakdown of our trade and retention sum receivables as at the dates indicated:

	As at 31 December		As at 30 April
	2015	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*
Trade receivables	9,693	1,792	5,869
Retention sum receivables	3,765	5,572	6,535
	13,458	7,364	12,404
Less: Provision for bad debts	(525)	(525)	(525)
	12,933	6,839	11,879

During the Track Record Period, our trade receivables primarily represented amounts receivable from our customers for our provision of our services. Our Group's business is project-based, of which our trade receivables are subject to the progress and number of the projects as at the reporting date. We generally granted up to a 35-day credit term to customers upon issuance of invoice.

Our trade receivables decreased by approximately S$7.9 million, or approximately 81.4%, from approximately S$9.7 million as at 31 December 2015 to approximately S$1.8 million as at 31 December 2016, which was mainly attributable to the decrease in progress billings in connection with Project

Micron and Project Tanjong Pagar Mixed Development during the year, which were completed in November 2016 and June 2016, respectively and all of the trade receivables in connection with such projects were settled as at 31 December 2016.

Our trade receivables increased by approximately S$4.1 million, or approximately 227.8%, from approximately S$1.8 million as at 31 December 2016 to approximately S$5.9 million as at 30 April 2017, which was mainly attributable to the increase in progress billings in connection with Project Orchard Station and Project New State Courts resulting from our performance of work for these projects during the four months ended 30 April 2017.

Our retention sum receivables mainly represented the retention monies required by our customers to secure our Group's due performance of the contracts. The sum generally provided in a contract is to be retained by our customer at each interim payment. Typically, the amount to be held up is 5% or 10% of each of the certified amounts and up to a maximum limit of 5% or 10% of the initial contract value. Half of the retention monies is to be released upon agreement of the final accounts. The remaining half of the retention monies is usually to be released (i) upon completion of our part of our works; (ii) upon completion of the works under the main contract; (iii) upon expiration of the defects liability period as stipulated in the contract with our customer; or (iv) upon expiration of the defects liability period as stipulated in the main contract. Generally, the defects liability period lasts for up to 18 months from the date of completion for our projects as subcontractors. As for projects we act as a main contractor, the defects liability period lasts for 12 months from the date of completion. The terms and conditions in relation to the release of retention monies also vary from contract to contract, which may be subject to, practical completion, the expiry of the defects liability period or a pre-agreed time period. The retention sum receivables are non-interest-bearing and on terms based on respective contract's retention period. In line with the progress of our projects, the balance of our retention sum receivables increased from approximately S$3.8 million as at 31 December 2015 to approximately S$5.6 million as at 31 December 2016, and it further increased to approximately S$6.5 million as at 30 April 2017, which was mainly due to the increasing amount of works completed that are pending the release of retention monies.

The following table sets forth the ageing analysis of our trade and retention sum receivables (net of provision for impairment) based on the invoice date as at the dates indicated:

	As at 31 December		**As at 30 April**
	2015	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*
0 to 30 days	6,592	1,794	3,978
31 to 90 days	3,448	308	2,283
91 to 180 days	499	438	779
181 to 365 days	264	920	1,024
Over 1 year but less than 2 years	1,830	1,430	1,895
Over 2 years	300	1,949	1,920
	12,933	6,839	11,879

To a certain extent, our trade and retention sum receivables were concentrated to our largest and the five largest debtors as illustrated in the table below for the respective dates indicated:

	As at 31 December		As at 30 April
	2015	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*
Largest debtor	4,789	2,722	4,306
Five largest debtors	12,679	6,654	11,332

We seek to maintain strict control over our outstanding receivables and have a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by our finance department and quantity surveyors.

In determining the recoverability of trade receivables, our Group considers any change in the credit quality of our trade receivables from the date credit was initially granted up to the end of the reporting period.

Our Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

The following table sets forth the aging analysis of trade and retention sum receivables (net of provision for impairment) that are not impaired as at the dates indicated:

	As at 31 December		As at 30 April
	2015	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*
Neither past due nor impaired	9,826	6,654	10,221
1 to 30 days	2	—	1,494
31 to 90 days	—	—	—
91 to 180 days	3,105	82	—
181 to 365 days	—	103	82
Over 1 year but less than 2 years	—	—	82
Over 2 years	—	—	—
	12,933	6,839	11,879

As at 31 December 2015 and 2016 and 30 April 2017, approximately S$3.1 million, S$0.2 million and S$1.7 million, representing approximately 24.0%, 2.9% and 14.3% of our trade and retention sum receivables (net of provision for impairment), respectively, were past due but not impaired. As at 31 December 2015, approximately S$3.1 million of our trade receivables was past due but not impaired, which was mainly attributable to the late payment from JDC in relation to our works performed for

Project Micron. Such trade receivables balance was overdue mainly because of the delay in the issuance of the final account for Project Micron. However, the balance was fully settled during the year ended 31 December 2016.

As at 31 December 2016, approximately S$0.2 million of our retention sum receivables was past due but not impaired, which was mainly attributable to the late payment from Customer D/Supplier C/ Subcontractor A in relation to our works performed for Project Amkor, which was completed in January 2016. Such retention sum receivables balance was overdue mainly because of the delay in the finalisation of account. Up to June 2017, the account still has not been finalised.

As at 30 April 2017, approximately S$1.7 million of our trade receivables was past due but not impaired, which was mainly attributable to the late payment from Penta Bachy Joint Venture in relation to our works performed for Project Orchard Station. However, the balance was fully settled as at 30 June 2017.

Based on our experience, our Directors are of the view that no impairment allowance is necessary in respect of these overdue balances as there has not been a significant change in the credit quality, reputation and financial condition of our customers and the balances are considered fully recoverable.

Our Group considered no further provision is needed on the following basis: (i) most of our customers have demonstrated good historical repayment record; and (ii) we have put strong effort in chasing payments for overdue balance and frequently assessed the repayment schedules of customers by having communications with them and we were not aware of circumstances which might cause impairment to these trade receivables, and therefore we considered and concluded that the trade receivables were recoverable and not impaired.

Trade receivables and retention sum receivables turnover days

The following table sets forth our trade receivables turnover days for the periods indicated:

	For the year ended 31 December		**For the four months ended 30 April**
	2015	**2016**	**2017**
Trade receivables turnover days(1)	77	66	35
Retention sum receivables turnover days(2)	827	1,083	1,151

Notes:

1. Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the relevant year/period, then multiplied by the number of days of the year/period.

2. Retention sum receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by 5% of the revenue for the relevant year/period being the general limit of the retention monies, then multiplied by the number of days of the relevant year/period.

Our trade receivables turnover days during the Track Record Period were more than our credit term of 35 days as some of our customers do not make payment within the payment term of our invoices. For the year ended 31 December 2015, our trade receivables turnover days were more than 35 days mainly because invoices in the aggregate amount of approximately S$3.2 million and S$3.1 million were issued to Samsung and JDC in relation to the work mainly performed for the year ended 31 December 2015 for Project Tanjong Pagar Mixed Development and Project Micron, respectively, close to the end of the year ended 31 December 2015, which led to a larger closing balance of our trade receivables. For the year ended 31 December 2016, our trade receivables turnover days were more than 35 days, which was mainly due to (i) the large opening trade receivables balance as at 31 December 2015; and (ii) a delay in certifying the progress claims of approximately $0.2 million by JDC in relation to the works performed for Project Micron, which was completed in November 2016 and the payment for which had been fully settled within the credit period as at the Latest Practicable Date. As our business operates on a non-recurring and project-by-project basis, the progress of our reinforced concrete works projects at a given time would affect our trade receivables balances as at the respective year end date and thus the trade receivables turnover days during the Track Record Period.

For the four months ended 30 April 2017, our trade receivables turnover days of 35 days was within our credit term.

As at 31 August 2017, all of our trade receivables (net of provision) outstanding as at 30 April 2017 had been subsequently settled.

Our retention sum receivables turnover days were approximately 827 days, 1,083 days and 1,151 days for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. The increase in retention sum receivables turnover days for the year ended 31 December 2016 and for the four months ended 30 April 2017 was mainly due to the significant increase in retention sum receivables as at 31 December 2016 and 30 April 2017, respectively, which far more offset the impact of the increase in revenue in the same year/period. Unlike trade receivables, which are normally settled according to the credit period we grant to our customers, retention sum receivables are settled in a less systematic manner and usually released some time after completion of a project.

As at 31 August 2017, approximately S$0.2 million, or approximately 3.2% of our retention sum receivables (net of provision) outstanding as at 30 April 2017 had been subsequently settled, which was due to the fact that the defects liability periods as stipulated in our contracts with our customers or in the main contract of the relevant projects had not expired.

Prepayment, deposits and other receivables

Our prepayment, deposits and other receivables comprised prepaid expenses for our operations and materials, rental and utility deposits, and advance to our staff.

Our prepayment, deposits and other receivables increased by approximately S$0.1 million, or approximately 12.5%, from approximately S$0.8 million as at 31 December 2015 to approximately S$0.9 million as at 31 December 2016, which was primarily due to an increase in other receivables of approximately S$0.3 million, mainly resulting from an amount due from Ms. Wu, who is a former shareholder and director of ICPL and resigned on 9 December 2016. The effect was partially offset by a decrease in prepayment of approximately S$0.2 million, which was mainly due to less deposits being made for the accommodation for our foreign workers, which was in line with the decrease in our accommodation expenses for the year ended 31 December 2016.

Our prepayment, deposits and other receivables further increased by approximately S$0.6 million, or approximately 66.7% from approximately S$0.9 million as at 31 December 2016 to approximately S$1.5 million as at 30 April 2017, which was primarily due to the prepayment for **[REDACTED]** expenses of approximately **[REDACTED]**.

Amount due from/to customers for contract works

Our revenue is recognised based on the percentage of completion of the contracts. In accordance with IAS 11, the stage of completion is determined by referencing to the proportion that the actual construction costs incurred for our works performed to date relative to the budget costs, being the estimated total construction costs.

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

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

For illustrative purposes,

Accumulative revenue recognised = Contract sum × Stage of completion

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

$$\begin{array}{c}\textit{Revenue recognised during} \\ \textit{the report period}\end{array} = \begin{array}{c}\textit{Accumulative revenue recognised up to the reporting date –} \\ \textit{Revenue recognised prior to the reporting period}\end{array}$$

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

When our Group anticipates a variation order to be issued by our customer, our budget cost, being the estimated total construction costs, will be adjusted to include the costs to perform the variation order. In other words, practically, our Group adjusts the total contract sum to include the revenue generated from the variation order upon our Group's receipt of the payment certificates from our customer.

On the other hand, our Group applies progress billings to reflect the work performed on a monthly basis and our customers will then issue a payment certificate certifying the portion of works completed after inspection. There is normally a timing difference between the completion of construction works and the issuance of progress claims and invoices to our customers as it takes time to certify. There might be a different basis in view of the percentage of completion for the payment certificates to be issued by our customers and the payment application of our Group. For some construction works, our customers consider the percentage of completion with reference to the quantities of work done or rebars processed whilst our Group considers the percentage of completion with reference to the relevant actual costs such as labour costs and costs of construction materials and consumables. For setting up site offices, our customers may adopt an even allocation of value along the project term. As such, the percentage of stage of completion indicated per our contract costs incurred according to the accounting policies stated above might be different from our progress billings to our customers for the same period, particularly when certain parts of our construction works require more man-hours leading to higher labour costs.

When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amounts due from contract customers. As such, the amounts due from/to customers for contract work are generally affected by (i) the value of contract work performed; (ii) the difference in the basis of determining the percentage of completion for such work adopted by our customers and us; and (iii) the timing of progress billings. Therefore, our Directors consider that it is normal that these balances vary from time to time.

The following table sets out the amounts due from/(to) customers for contract work as at the dates as indicated.

	As at 31 December		As at 30 April
	2015	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*
Contract cost incurred plus recognised profit less recognised loss	43,769	38,081	49,955
Less: Progress billings	(49,031)	(38,937)	(52,724)
	(5,262)	(856)	(2,769)

Analyses for reporting purposes as:

	As at 31 December		As at 30 April
	2015	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*
Amount due from customers for contract works	710	4,426	3,428
Amount due to customers for contract works	(5,972)	(5,282)	(6,197)
Balance at end of the year	(5,262)	(856)	(2,769)

Amounts due from/(to) customers are represented by the sum of actual costs incurred and profits recognised less progress billings.

For illustrative purposes,

Amounts due from/(to) customers = (Actual costs incurred + Profits recognised) – Progress billings

When our Group anticipates a variation order and/or remeasurements to be issued by our customer, our budget cost, being the estimated total construction costs, will be adjusted to include the costs to perform the variation order and/or remeasurements. Because of the inclusion of additional costs of variation order and/or remeasurements in the estimated total construction costs, the stage of completion for the project will decrease and the relevant value of variation order is not yet reflected in the total contract sum, lesser revenue and profits will be recognised during the relevant reporting period accordingly. As a result, the amount due to our customer will increase.

During the period of our construction works, variation orders could be initiated by our customers according to their needs and we may be required to perform certain parts of construction works which deviate from the original specification and hence, result in adjustments of the total contract sum to ascertain the actual value of the works that our Group performs. As such, our customers would review the monthly progress claims submitted by our Group and arrange their project representatives to evaluate the variation orders and/or remeasurements. Value of variation orders and/or remeasurements will be ascertained following evaluation by our customers and then be certified by our customers in their payment certificates continuously issued during the period of our construction works or, in particular cases, issued upon the completion of our construction works.

In line with our Group's accounting policies, which are consistent with IFRS, only when the variation order and/or remeasurements are certified by our customer and the value of which is ascertained, our Group will adjust both the contract sum and relevant actual costs to update the percentage of completion correspondingly to include the expected revenue generated from the relevant variation order. With the upward adjustment of the total contract sum, we can recognise the relevant revenue. Hence, the revenue and profits will increase during the relevant reporting period and, if such revenue exceeds the corresponding progress billing, the amount due to our customer will be reduced accordingly.

In such case, considering (i) the estimated total construction costs have been adjusted upward; (ii) the actual costs for variation orders and/or remeasurements have not been incurred; and (iii) the resulted stage of completion would be lower, our revenue is recognised with reference to the actual construction costs incurred for our work performed relative to the adjusted estimated total construction costs, which are less than the amounts on progress billings from period to period based on our payment applications made to our customers.

Our amounts due to customers for contract works as at 31 December 2015 amounted to approximately S$6.0 million, which mainly comprised the surpluses of progress billings of Project Micron and Project Sengkang General Hospital 2 of approximately S$2.0 million and S$2.9 million, respectively.

Our amounts due to customers for contract works decreased from approximately S$6.0 million as at 31 December 2015 to approximately S$5.3 million as at 31 December 2016, which was mainly attributable to the decrease in balances of approximately S$2.0 million between years relating to Project Micron. The related progress billings exceeded the contract costs incurred to date plus recognised profits less recognised losses for Project Micron as at 31 December 2015, which was mainly due to the less recognised revenue as a result of the lower percentage of completion of construction work. The lower percentage of completion was due to the fact that (i) our estimated total construction costs had been adjusted upward to take into account certain contra charges relating to additional services we expected to require from our customers in the course of construction works during the year ended 31 December 2015 (which could not be foreseen when we determined the initial estimated total construction costs); and (ii) no additional revenue could be recognised as such contra charges had not been incurred nor certified by our customer as at 31 December 2015. Subsequently, our amounts due to customers for contract works for Project Micron decreased to nil as at 31 December 2016, resulting from the certification of contra charges by our customer and the increase in the actual costs incurred during the year ended 31 December 2016 and accordingly, the percentage of stage of completion and the revenue recognised increased and the balance in relation to these contra charges was reversed. The effect was partially offset by an increase in amounts due to customers for contract works for Project Sengkang General Hospital 2 of approximately S$1.4 million.

For the construction works undertaken by our Group, we recognise revenue based on the percentage of completion with reference to actual costs (including labour costs and costs of construction materials and consumables) incurred while in some cases, our customers certify our construction works based on the quantities of work done or rebars processed. Our customers allocate certain portion of contract sum for setting up site offices and relevant operation and we generally do not expect to incur much cost and our customers, in most circumstances, certify relatively stable amounts in our monthly payment certificates (i.e. even allocation of such contract sum along project term) to ensure a minimum amount of construction work certified for each month. Therefore, the surplus of revenue over the corresponding progress billing is more significant for certain parts of our construction works requiring more man-hours (i.e. leading to a higher percentage of completion and higher portion of revenue to be recognised and lower level of accumulated amounts due to customers). On the other hand, our Directors initially formulate the estimated total construction costs after taking into account the impact of any unforeseeable factors in the course of construction and we generally reassess the estimated total construction costs of our projects (which would result in the change in percentage of completion) when projects proceed to the final stage where our Group realises that there would be no further variation order and remeasurements. By that time, our Group would recognise all remaining revenue and therefore the accumulated revenue to be recognised by our Group would be close to the total progress billings.

Our amounts due to customers for contract works for Project Sengkang General Hospital 2 represented the surplus of amounts stated in our customers' progress billings over the accumulated amounts we recognised as revenue up to 31 December 2016. Since construction works are certified by our customers according to basis which may not always align with our basis for determining the percentage of completion, the amounts stated in progress billings (based on our customers' own work certification) may exceed our recognised revenue, particularly in the early stage of construction. For Project Sengkang General Hospital 2, increase in the balance of amounts due to customers for contract works was mainly attributable to (i) our prudent estimation of initial total construction costs under which the percentage of completion of our construction work would be lower (i.e. less revenue was recognised) until the total construction costs could be adjusted to reflect the final actual costs when the project was completed in 2017; and (ii) the continuous progress billings of stable amounts for our site operating costs (excluding setup cost) with a smaller amount of the corresponding revenue recognised for the remaining costs (including staff salaries for project managers, accommodation expenses for workers and transportation costs) which are insignificant under our prudent estimation of initial total construction costs, thus leading to a cumulative amount due to customer.

Our amounts due to customers for contract works increased from approximately S$5.3 million as at 31 December 2016 to approximately S$6.2 million as at 30 April 2017, which was mainly attributable to the increase in amounts due to customers for contract works for Project Orchard Station of approximately S$3.8 million. Similar to Project Sengkang General Hospital 2 where construction work certification may not always align with our basis for determining the percentage of completion, the amounts stated in the progress billings may exceed our accumulated recognised revenue up to 30 April 2017, particularly when Project Orchard Station is at the early stage and with a project term of around four years. Such increase in amounts due to customers was mainly attributable to the fact that (i) our prudent estimation of initial total construction costs under which the percentage of completion of our construction work would be lower (i.e. less revenue was recognised) until the total construction costs could be adjusted to reflect the final actual costs at the completion that is expected to be in late 2019; (ii) the continuous progress billings of stable amounts for our site operating costs (excluding setup cost) with a smaller amount of the corresponding revenue recognised for the remaining costs (including staff salaries for project managers, accommodation expenses for workers and transportation costs) which are insignificant under our prudent estimation of initial total construction costs, thus leading to a cumulative amount due to customer; and (iii) certain parts of our construction works for station part which our Directors consider to be less sophisticated as compared to various entrances and underground platform link and require less man-hours and accordingly less actual costs incurred, leading to a lower percentage of completion as at 30 April 2017 and thus less revenue was recognised during the four months ended 30 April 2017 in contrast to the amounts stated in the progress billings which were certified by our customer on different basis (i.e. based on quantities of work done or rebars processed).

As at 31 August 2017, approximately S$2.1 million, or approximately 62.3%, of our amounts due from customers for contract works as at 30 April 2017 had been subsequently recovered. Our Directors expect that the remaining unrecovered amounts due from customers for contract works of approximately S$1.3 million will be recovered when the final accounts for the respective projects are finalised.

All amounts due to customers for contract works are expected to be settled within one year.

Amounts due from directors and related companies

The following table sets forth an analysis of the amounts due from directors and a related company as at the dates as indicated.

	As at 31 December		**As at 30 April**
	2015	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*
Amount due from directors (non-trade nature)	2,294	4,491	3,840
Amount due from related companies (trade nature)	130	93	—

Our amounts due from directors mainly represented advances to related companies, which amounted to S$2.3 million, S$4.5 million and S$3.8 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. Such amounts are interest-free, unsecured and repayable on demand. All of these amounts due from directors were fully settled by way of setting off the proposed special dividend on 13 October 2017.

Our amount due from related companies amounted to approximately S$130,000, S$93,000 and nil as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, which was mainly due to the sales of written-off machine on a fair and reasonable commercial term to our related company, CM Goh Crane Service, which was wholly owned by Mr. Goh's brother, during the year ended 31 December 2015. CM Goh Crane Service principally engages in crane services and general construction works. None of our Directors has any direct or indirect beneficial interest in CM Goh Crane Service.

Trade and retention sum payables

Our trade and retention sum payables were mainly incurred for the purchase of materials from our suppliers and subcontracting charges. Our Group's trade and retention sum payables are non-interest bearing and the credit terms of our trade payables granted by our subcontractors and suppliers are generally 30 days after the issuance of invoices. Our retention sum payables are generally settled within one year and subject to practical completion, the expiry of the defects liability period or a pre-agreed time period. The table below sets out an ageing analysis of our trade payables and our trade payables turnover days as at the dates as indicated.

	As at 31 December		As at 30 April
	2015	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*
Trade payables	1,056	1,335	830
Retention sum payables	138	164	175
	1,194	1,499	1,005
Trade and retention sum payables turnover days[(1)]	21	18	16

Note:

1. Trade and retention sum payables turnover days is calculated based on the average of the beginning and ending balance of trade and retention sum payables divided by direct cost for the relevant year/period, then multiplied by the number of days of the relevant year/period.

The following table sets forth the ageing analysis of our trade and retention sum payables as at the dates indicated:

	As at 31 December		As at 30 April
	2015	**2016**	**2017**
	S$'000	*S$'000*	*S$'000*
0 to 30 days	420	694	433
31 to 90 days	345	445	178
91 to 180 days	47	44	59
Over 180 days	382	316	335
	1,194	1,499	1,005

Our trade and retention sum payables increased by approximately S$0.3 million, or approximately 25.0%, from approximately S$1.2 million as at 31 December 2015 to approximately S$1.5 million as at 31 December 2016, which was mainly due to larger claims incurred as at year end as a result of higher percentage of completion for general construction works. Our trade and retention sum payables decreased by approximately S$0.5 million, or approximately 33.3% from approximately S$1.5 million as at 31 December 2016 to approximately S$1.0 million as at 30 April 2017, which was primarily due to the decrease in trade payables of approximately S$0.5 million. Such decrease in trade payables was mainly due to a decrease in trade payables to our subcontractors, which was in line with the decrease in our subcontracting charges for the four months ended 30 April 2017.

As at 31 August 2017, approximately S$0.7 million, or approximately 65.2%, of our trade and retention sum payables outstanding as at 30 April 2017 had been subsequently settled.

For the two years ended 31 December 2016 and the four months ended 30 April 2017, our trade and retention sum payables turnover days were approximately 21 days, 18 days and 16 days, respectively. Our trade and retention sum payables turnover days were generally in line with the credit terms granted by our subcontractors or suppliers.

Other payables and accruals

Our other payables and accruals mainly consisted of the (i) accrued costs for our materials used for our formwork projects; (ii) accrued expenses in relation to salaries and wages of our staff; and (iii) amounts due to Joint Operator. Our other payables and accruals increased by approximately S$2.7 millions, or approximately 71.1%, from approximately S$3.8 million as at 31 December 2015 to approximately S$6.5 million as at 31 December 2016, which mainly resulted from the (i) increase in accrued salaries for our labour, representing increasing labour in contract works; and (ii) increase in accrued cost of construction materials and consumables, which was in line with the growing trend of the size of our contract sum. Our other payables and accruals increased by approximately S$0.3 million, or approximately 4.6%, from approximately S$6.5 million as at 31 December 2016 to approximately S$6.8 million as at 30 April 2017, which was primarily due to an increase in accrued **[REDACTED]** expenses of approximately **[REDACTED]**. The effect was partially offset by (i) a decrease in our accrued operating expenses, mainly resulting from a decrease in accrued salaries for our labour, representing decrease labour in contract works of approximately S$0.5 million; and (ii) a decrease in amount due to Joint Operator of approximately S$0.3 million.

Our amount due to Joint Operator was approximately S$0.7 million, S$0.6 million and S$0.3 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively. Since Project Tanjong Pagar Mixed Development was completed in June 2016, pending the issue of final accounts by the main contractor, the amount due to Joint Operator is expected to be settled by that time and the Joint Operation will cease accordingly.

Amounts due to a director and related companies

Our amount due to a director amounted to approximately S$1.0 million, S$1.0 million and S$1.0 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively.

Our amount due to a director was non-trade in nature, unsecured, interest-free and has no fixed terms of repayment. All of these amounts due to a director and will be fully settled prior to the **[REDACTED]**.

Our amount due to related companies amounted to approximately S$0.6 million, S$0.7 million and nil as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively, which primarily related to our subcontracting fees incurred. Such amounts are interest-free, unsecured and repayable on demand.

INDEBTEDNESS

Bank borrowings

The following table sets out our bank borrowings as at the dates indicated.

	As at 31 December		As at 30 April	As at 31 August
	2015	2016	2017	2017
	S$'000	*S$'000*	*S$'000*	*S$'000*
				(unaudited)
Secured mortgage loan	860	771	741	713

As at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017, our bank borrowings consisted of mortgage loan for financing mortgage payments for our property held for occupation, which is our office premises. All of our bank borrowings were denominated in Singapore dollars and the effective interest rates as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017 were approximately 3.05%, 3.42%, 3.55% and 3.54% per annum, respectively. Such mortgage loan was secured by (i) the pledge of the investment property of our Group; (ii) the pledge of certain of our Group's property, plant and equipment; and (iii) the personal guarantee executed by Mr. Goh, which shall be released upon **[REDACTED]** and replaced by corporate guarantees granted by our Company. As at 31 August 2017, our mortgage loan of approximately S$0.7 million which is currently scheduled to be repaid within one year and we expect to repay such amount in accordance with the repayment schedule.

Obligation under finance leases

The following table below sets out our obligations under finance leases as at the dates indicated.

	As at 31 December		As at 30 April	As at 31 August
	2015	**2016**	**2017**	**2017**
	S$'000	*S$'000*	*S$'000*	*S$'000* (unaudited)
Current portion	197	188	188	188
Non-current portion	306	183	120	57
Total	503	371	308	245

Our obligation under finance leases as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017 comprised primarily of finance leases for the purchases of certain motor vehicles and heavy machinery used for our operations. The finance leases are secured by the relevant motor vehicles and heavy machinery and guaranteed by Mr. Goh, which shall be released upon **[REDACTED]** and replaced by corporate guarantees granted by our Company. Our finance lease liabilities were denominated in Singapore dollars and the effective annual interest rates as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 August 2017 were ranging from approximately 3.65% to 6.00% per annum.

As at 31 August 2017, being the latest practicable date for determining our indebtedness, our Group's total indebtedness amounted to S$1.9 million, which consisted of (i) secured and guaranteed bank borrowings in the amount of approximately S$0.7 million; (ii) secured and guaranteed obligation under finance leases in the amount of approximately S$0.2 million; and (iii) interest-free, unsecured and unguaranteed amount due to a director in the amount of approximately S$1.0 million. The effective interest rates of bank borrowings and obligation under finance leases were approximately 3.54% and ranging from 3.65% to 4.84% per annum, respectively. We had an unutilised banking facility of S$0.8 million which was an unutilised term loan granted by a bank for the purpose of general working capital of our Group. There are no material covenants relating to these outstanding indebtedness. Our Directors have confirmed that there had been no material change in our indebtedness since 30 April 2017 up to the Latest Practicable Date.

Save as disclosed above and apart from intra-group liabilities, as at 30 June 2017, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees. In addition, we currently do not have any external debt financing plan.

CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted of additions of machinery and equipment and motor vehicles for our operations. During the Track Record Period, our Group incurred capital expenditures of approximately S$0.8 million, S$0.2 million and S$32,000 for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively, which were primarily resulted from purchases of a hydraulic crawler crane and motor vehicles. Since 30 April 2017 and up to the Latest Practicable Date, we did not have any material capital expenditures.

For the year ending 31 December 2017, we estimate that no capital expenditures are expected to be incurred. For the year ending 31 December 2018, we estimate to incur a projected total capital expenditures of approximately S$12.6 million, including (i) approximately S$11.3 million will be incurred for an acquisition of a property ("**New Property**") for our cut and bend factory and our dormitory to accommodate our foreign workers; (ii) approximately S$0.6 million will be incurred for the renovation of the New Property; and (iii) approximately S$0.7 million will be incurred for purchasing one single production line of cut and bend system.

We intend to finance the above costs in the following manner: (i) approximately S$6.1 million, representing approximately 55.0% of the property value in the amount of approximately S$11.0 million, stamp duty in the amount of approximately S$0.3 million, and (ii) approximately S$4.9 million, representing approximately 45.0% of the property value, will be funded by bank borrowings. The initial capital expenditure of approximately S$0.6 million for renovating the New Property and one single production line of cut and bend system in the amount of approximately S$0.7 million, will also be funded by the **[REDACTED]**.

As such, the capital expenditure requirement for our Group's implementation plans is expected to amount to approximately S$12.6 million, of which approximately **[REDACTED]**, or **[REDACTED]**, of the total capital expenditure requirement is expected to be financed by **[REDACTED]** of the **[REDACTED]** from the **[REDACTED]** (based on the **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range) and the remaining balance of **[REDACTED]** is expected to be financed by bank borrowings.

To our Director's best estimation, additional depreciation for the two years ending 31 December 2018 is expected to be nil and approximately S$0.1 million, respectively.

Our expansion plans in Singapore for the two years ending 31 December 2018 and the related projected capital expenditures are summarised as follows:

Plans	From the Latest Practicable Date to 31 December 2017	For the six months ended 30 June 2018	For the six months ended 31 December 2018	Total
	S$'000	*S$'000*	*S$'000*	*S$'000*
Acquiring property for our dormitory and cut and bend factory	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Renovating the new dormitory and cut and bend factory	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Purchasing one single production line of cut and bend system	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Our Group's projected capital expenditures are subject to revision based on any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future Plans and **[REDACTED]**" of this document for further details. We did not have any capital commitment as at 30 April 2017.

We expect to fund our contractual commitments and capital expenditures principally through the **[REDACTED]** we receive from the **[REDACTED]** and our internal resources. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months from the date of this document.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As lessor

As at 31 December 2015, 31 December 2016 and 30 April 2017, our Group had leased our industrial building unit which was classified as investment property under operating lease arrangements, with leases negotiated for term ranging from one to two years. We had total future minimum lease receivables under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
	S$'000	*S$'000*	*S$'000*
Within one year	32	34	14
In the second to fifth year, inclusive	27	46	—
	59	80	14

As lessee

As at 31 December 2015, 31 December 2016 and 30 April 2017, our Group had commitments for future minimum lease payments in respect of our dormitories and site equipment under non-cancellable operating lease arrangements, with leases negotiated for an initial period of six months to 2.5 years. We had total future minimum lease payables under non-cancellable operating lease arrangements which fall due as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
	S$'000	*S$'000*	*S$'000*
Within one year	1,047	1,212	1,040
In the second to fifth year, inclusive	—	—	—
	1,047	1,212	1,040

CONTINGENT LIABILITIES

As at the Latest Practicable Date, other than disclosed in the section headed "Business — Litigation and Claims" of this document, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. Our Directors confirm that as at the Latest Practicable Date, we did not have any material contingent liabilities.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in note 34 to the Accountants' Report in Appendix I to this document, our Directors confirm that each transaction set forth therein was conducted in accordance with the terms as agreed between us and the respective related parties, was conducted on an arm's length basis and did not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

SUMMARY OF KEY FINANCIAL RATIOS

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

	As at 31 December		As at 30 April
	2015	**2016**	**2017**
Profitability ratios			
Return on equity[1](%)	26.8	30.4	75.6
Return on total assets[2](%)	10.5	11.3	30.2
Liquidity ratios			
Current ratio[3](times)	1.3	1.2	1.2
Capital adequacy ratios			
Gearing ratio[4](%)	25.0	21.4	18.4
Interest coverage ratio[5](times)	126.1	89.7	249.5

Notes:

1. For each of the two years ended 31 December 2016, return on equity is calculated by dividing profit for the year by total equity at the end of the respective year and multiplying the resulting value by 100%. For the four months ended 30 April 2017, return on equity is calculated by dividing profit after taxation before **[REDACTED]** expenses for the period by total equity, multiplying by 365/120, and then multiplying the resulting value by 100%.

2. For each of the two years ended 31 December 2016, return on total assets is calculated by dividing profit for the year by total assets at the end of the respective years and multiplying the resulting value by 100%. For the four months ended 30 April 2017, return on total assets is calculated by dividing profit after taxation before **[REDACTED]** expenses for the period by total assets, multiplying by 365/120, and then multiplying the resulting value by 100%.

3. Current ratio is calculated as total current assets as at the end of the relevant year/period divided by total current liabilities as at the end of the relevant year/period.

4. Gearing ratio is calculated as total debt as at the end of the relevant year/period (summation of amount due to a director, bank borrowing and obligation under finance leases) divided by total equity as at the end of the relevant year/period and multiplied by 100%.

5. Interest coverage ratio is calculated by dividing profit for the relevant year/period before **[REDACTED]** expenses, finance costs and tax by finance costs.

Return on equity

Our return on equity increased from approximately 26.8% for the year ended 31 December 2015 to approximately 30.4% for the year ended 31 December 2016. The increase was mainly due to an increase in our profit for the year, which was mainly attributable to (i) a net other income being recongnised for the year ended 31 December 2016, whereas net other expenses was recognised for the year ended 31 December 2015; and (ii) a decrease in income tax expense for the year ended 31 December 2016.

Our return on equity further increased to approximately 75.6% for the four months ended 30 April 2017, which was mainly due to an increase in gross profit for the same period.

Return on total assets

Our return on total assets increased from approximately 10.5% for the year ended 31 December 2015 to approximately 11.3% for the year ended 31 December 2016. The increase was mainly due to an increase in our profit for the year, which was mainly attributable to (i) a net other income being recongnised for the year ended 31 December 2016, whereas net other expenses were recongnised for the year ended 31 December 2015; and (ii) a decrease in income tax expense for the year ended 31 December 2016.

Our return on total assets further increased to approximately 30.2% for the four months ended 30 April 2017, which was mainly due to an increase in gross profit for the same period.

Current ratio

Our current ratio decreased from approximately from 1.3 times as at 31 December 2015 to approximately 1.2 times as at 31 December 2016. The decrease was mainly attributable to (i) a decrease in trade and retention sum receivables; and (ii) an increase in other payables and accruals. The effect was partially offset by (i) an increase in amounts due from customers for contract works; (ii) an increase in amounts due from directors; (iii) an increase in cash and cash equivalents; and (iv) a decrease in amounts due to customers for contract work.

Our current ratio remained stable at approximately 1.2 times as at 30 April 2017.

Gearing ratio

Our gearing ratio decreased from approximately 25.0% as at 31 December 2015 to approximately 21.4% as at 31 December 2016. The decrease was mainly attributable to the decrease in bank borrowings and obligation under finance leases resulting from the repayments during the year ended 31 December 2016.

Our gearing ratio further decreased to approximately 18.4% as at 30 April 2017, which was mainly attributable to the decrease in bank borrowings and obligation under finance leases resulting from the further repayments during the four months ended 30 April 2017.

Interest coverage ratio

Our interest coverage ratio decreased from approximately 126.1 times for the year ended 31 December 2015 to approximately 89.7 times for the year ended 31 December 2016. Such decrease was primarily due to an increase in finance costs, mainly resulting from an increase in interest charged on our mortgage loan as the interest rate went up during the year.

Our interest coverage ratio increase from approximately 89.7 times for the year ended 31 December 2016 to approximately 249.5 times for the four months ended 30 April 2017. Such increase was primarily due to the increase in gross profit for the same period.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed herein, we had no other material off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, including credit risk and liquidity risk. We monitor and manage such financial risks through internal risks reports which analyse exposure by degree and magnitude of risk. Please also see note 38 to the Accountants' Report in Appendix I to this document for further details regarding our financial risks.

Credit risk

At the end of each of the Track Record Period, our maximum exposure to credit risk which will cause a financial loss to us due to default an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, we monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, we consider that our credit risk is significantly reduced.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when we have significant exposure to the risks relating to individual customers. As at 31 December 2015, 31 December 2016 and 30 April 2017, the amount of trade and retention sum receivables from the five largest debtors represented approximately 98.0%, 97.3% and 95.4% of the total trade and retention sum receivables, respectively, while approximately 37.0%, 39.8% and 36.2% of the total trade and retention sum receivables was due from the largest single debtor, respectively.

The credit risk on liquid funds is limited because our Group adopts the policy of dealing only with high credit quality counter parties. Other than concentration of credit risk on liquid funds which are deposited with a bank with a high credit rating, we do not have any other significant concentration of credit risk.

Liquidity risk

Our liquidity risk is primarily attributable to the risk that we may not be able to meet our financial obligations as they fall due. To ensure that we will always have sufficient liquidity to meet our liabilities when they fall due, our policy is to monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our short and long term liquidity requirements. In particular, our Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group relies on internally generated funding and borrowings as significant sources of liquidity.

DIVIDENDS

During the Track Record Period, no dividend had been paid or declared by our Company. IEPL declared and paid dividends of approximately S$1.1 million and S$2.5 million to the then shareholders for the two years ended 31 December 2016, respectively. During the four months ended 30 April 2017, IEPL proposed a special dividend of approximately S$4.5 million, which was settled on 13 October 2017 by setting off against the amount due from Mr. Goh. Our Directors consider that there has not been any material adverse impact on our Group's financial and liquidity position arising out of the dividend payment as our Group continues to maintain net current assets and net assets positions after such payment. However, our dividend distribution record should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

We currently do not have a dividend policy. There is no expected or predetermined dividend payout ratio after the **[REDACTED]**. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up on our Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

[REDACTED] EXPENSES

Our estimated **[REDACTED]** expenses primarily consist of **[REDACTED]** commissions in addition to professional fees paid to the Sole Sponsor, legal advisers and the reporting accountant for their services rendered in relation to the **[REDACTED]**. Assuming the **[REDACTED]** is not exercised and assuming an **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of our indicative price range for the **[REDACTED]** stated in this document, the total **[REDACTED]** expenses will be **[REDACTED]** (equivalent to **[REDACTED]**), of which approximately **[REDACTED]** (equivalent to **[REDACTED]**) is directly attributable to the **[REDACTED]** and is expected to be capitalised after the **[REDACTED]**. The remaining amount of approximately **[REDACTED]** (equivalent to **[REDACTED]**) is expected to be charged to our Company's combined statements of comprehensive income, of which approximately **[REDACTED]** (equivalent to **[REDACTED]**) have been charged for the four months 30 April 2017 and approximately **[REDACTED]** (equivalent to **[REDACTED]**) is expected to be incurred for the eight months ending 31 December 2017.

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO [REDACTED] EXPENSES

Our net profit for the year ending 31 December 2017 will have a considerable reduction due to the incurrence of **[REDACTED]** expenses in 2017. Our financial performance for the year ending 31 December 2017 will be affected by such expenses as compared with our financial performance for the year ended 31 December 2016.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Please refer to note 41 to the Accountants' Report set forth in Appendix I to this document for events of our Group which took place subsequent to 30 April 2017.

DISTRIBUTABLE RESERVE

As at 30 April 2017, our Company did not have reserve available for distribution to its Shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets and is based on the audited consolidated net assets attributable to owners of our Company as at 30 April 2017 as shown in the Accountants' Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets of our Group as at 30 April 2017	Estimated [REDACTED] from the proposed [REDACTED]	Unaudited pro forma adjusted combined net tangible assets of our Group	Unaudited pro forma adjusted combined net tangible assets per Share	Unaudited pro forma adjusted combined net tangible assets per Share
	S$'000	*S$'000*	*S$'000*	*S$*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Based on the **[REDACTED]** of **[REDACTED]** per Share	10,910	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on the **[REDACTED]** of **[REDACTED]** per Share	10,910	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The audited combined net tangible assets of our Group attributable to owners of our Company is extracted from the Accountants' Report set out in Appendix I to this document.

2. The estimated **[REDACTED]** from the issue of the new Shares pursuant to the proposed **[REDACTED]** are based on **[REDACTED]** new Shares at the **[REDACTED]** of lower limit and upper limit of **[REDACTED]** and **[REDACTED]** per New Share, respectively, after deduction of the **[REDACTED]** commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss on or prior to 30 April 2017.

3. The unaudited pro forma adjusted combined net tangible assets of our Group does not take into account the effect of any trading result and other transactions of our Group entered into subsequent to 30 April 2017.

4. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** and does not take into account of any Shares which may be issued upon the exercise of the **[REDACTED]** or any options that may be granted under the Share Option Scheme or any shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of shares.

5. The unaudited pro forma adjusted combined net tangible assets of our Group in the table above has not been adjusted to show the effect of the special dividend of approximately S$4,500,000 proposed by IEPL on 19 April 2017 (the "**Dividend**") and declared on 13 October 2017 to its then shareholder. The unaudited pro forma adjusted combined net tangible assets of our Group after taking into account of the Dividend is set out below. The per share effect is based on **[REDACTED]** shares as set out in note 4 above.

	Unaudited pro forma adjusted combined net tangible assets of our Group after taking into account of the Dividend	**Unaudited pro forma adjusted combined net tangible assets of our Group per Share after taking into account of the Dividend**	**Unaudited pro forma adjusted combined net tangible assets of our Group per Share after taking into account of the Dividend**
	S$'000	*S$*	*HK$*
Based on the **[REDACTED]** of **[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on the **[REDACTED]** of **[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, save as disclosed in this section, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

REASONS FOR THE [REDACTED]

Please refer to the section headed "Future Plans and Use of **[REDACTED]** — Reasons for **[REDACTED]**" of this document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this document, there had been no material adverse change in the financial or trading positions or prospects of our Group since 30 April 2017, being the date of which our latest audited financial information was prepared, and there had been no event since 31 August 2017 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.