

## FUTURE PLANS AND USE OF [REDACTED]

### FUTURE PLANS

Please refer to the section headed “Business — Our Business Strategies” of this document for a description of our future plans.

### REASONS FOR THE [REDACTED] AND USE OF [REDACTED]

The [REDACTED] of the [REDACTED] will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in this section.

Assuming that the [REDACTED] is determined at [REDACTED] (being the mid-point of the [REDACTED] range), the aggregate amount of [REDACTED] (the “[REDACTED]”) of the [REDACTED] to be received by our Company after deducting the [REDACTED] commission and estimated expenses payable by our Company is estimated to be approximately [REDACTED] (equivalent to approximately [REDACTED]) (assuming the [REDACTED] is not exercised). Our Directors currently intend to apply such [REDACTED] in the following manner:

- (a) approximately [REDACTED] (equivalent to approximately [REDACTED], or approximately [REDACTED]) will be used for the acquisition of a property (“New Property”) for our cut and bend factory and our dormitory to accommodate our foreign workers;
- (b) approximately [REDACTED] (equivalent to approximately [REDACTED], or approximately [REDACTED]) will be used for the renovation of the New Property;
- (c) approximately [REDACTED] (equivalent to approximately [REDACTED], or approximately [REDACTED]) will be used to purchase one single production line of cut and bend system; and
- (d) approximately [REDACTED] (equivalent to approximately [REDACTED], or approximately [REDACTED]) will be used for working capital and other general corporate purposes of our Group.

We plan to have the cut and bend factory and the dormitory in the New Property. We expect the New Property to be in the saleable area of approximately 5,000 sq.m., of which 60% and 40% are expected to be used for the cut and bend factory and the dormitory, respectively. The acquisition of the New Property is expected to be in the amount of [REDACTED], including (i) value of the property in the amount of approximately [REDACTED]; and (ii) stamp duty in the amount of approximately [REDACTED]. Assuming that the [REDACTED] is determined at the mid-point of the indicative [REDACTED] Range, we intend to finance [REDACTED] of the aforesaid property value (i.e. approximately [REDACTED]), all the aforesaid stamp duty and related renovation cost with the [REDACTED]. The remaining portion of the value of property (i.e. approximately [REDACTED]) is expected to be funded by bank borrowings.

During the Track Record Period, our cut and bend process is performed by the external service providers designated by our customer after the comparison of the quotations from a few potential cut and bend suppliers. To set up a cut and bend factory, we aim to use [REDACTED], representing approximately [REDACTED] of the [REDACTED], to purchase a single production line of cut and bend system, which has an annual processing production capacity of approximately 30,000 tonnes of steel reinforcing bars.

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We currently estimate an annual aggregate operating cost incidental to running our cut and bend factory of approximately S\$2.0 million, which consists of (i) an aggregate manpower cost in amount of approximately S\$1.1 million; and (ii) other expenses in amount of approximately S\$0.9 million. The aggregate manpower cost is determined based on the annual processing production capacity of approximately 30,000 tonnes of steel reinforcing bars whilst the other expenses consist of depreciation costs attributable to the New Property (assuming a lease term of 20 years and a useful life of the relevant equipment of five years), utilities, logistics costs and the interest expenses in relation to the bank borrowings raised for financing the New Property.

Our Directors believe that there will be no major difficulty in hiring new workers for the cut and bend process since no particular licence is required for the operation of the cut and bend machines. Further, no particular professional qualifications are required for the cut and bend workers as long as they possess the relevant cut and bend experience. Some of our existing workers have on-site cut and bend experience.

During the Track Record Period, the amount of steel reinforcing bars we used for our steel reinforcement works was 44,100 tonnes, 47,900 tonnes and 17,100 tonnes for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Our usage of steel reinforcing bars for each year primarily depends on the structure, the specification and the expected progress of the construction projects we undertake at the relevant time, which determine the amount of steel reinforcing bars required. To secure the demand for our cut and bend services, we have entered into framework agreements which will expire on 31 December 2021 with JDC and Customer H/Subcontractor L, pursuant to which JDC and Customer H/Subcontractor L agreed to give priority and engage us to provide the cut and bend services should we set up our factory and offer such service at the prevailing market price and JDC and Customer H/Subcontractor L indicate that the annual processing amount shall be approximately 10,000 tonnes and 19,000 tonnes of steel reinforcing bars, respectively, subject to the terms of the definitive agreements to be entered into between our Group and these customers. In addition, we have obtained a memorandum of understanding signed by two of our major customers, Samsung and Penta-Ocean, expressing their intention to give priority to and engage us to provide the cut and bend process if we have our own cut and bend factory and provide such service at the prevailing market price. Despite the non-legally binding nature of the memorandum of understanding, our Directors believe that it reflects the genuine intention of Samsung and Penta-Ocean to engage us to perform the cut and bend services if we offer a competitive service fee. For the two years ended 31 December 2016 and the four months ended 30 April 2017, our steel reinforcement works with Samsung involved the use of approximately 15,300 tonnes, 3,000 tonnes and 6,600 tonnes of steel reinforcing bars, respectively. For the same periods, our steel reinforcement works with Penta-Ocean involved the use of approximately 22,100 tonnes, 31,100 tonnes and 3,800 tonnes of steel reinforcing bars, respectively. Apart from a competitive service fee, our customers can also enjoy other benefits. With our workers' experience in the cut and bend process, we can easily grasp an understanding of their requirements and preferences in relation to the cut and bend work, including but not limited to, the preparation of the bar bending schedule in conformity with certain required standards, the completion date of each phase of the project, the sequence of placing orders and the delivery schedule. A bar bending schedule is important in the cut and bend process as accurate estimation of the requirements in relation to the cutting and bending of steel reinforcing bars beforehand can facilitate an efficient cut and bend process, which helps avoid delay in delivery of the processed steel reinforcing bars, expedite execution at the site and ensure a better schedule for placing orders. Samsung and Penta-Ocean were two of our major customers during the Track Record Period.

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As the usage of steel reinforcing bars varies among projects subject to the nature, the specification and the expected progress of the construction projects, we estimate the usage of steel reinforcing bars for a year on the basis of our construction projects on hand and the projects likely to be awarded at the relevant time and the expected progress of our construction projects. We expect that our steel reinforcement works will involve the use of approximately 37,000 tonnes and 19,000 tonnes of steel reinforcing bars in 2017 and 2018 respectively, of which approximately 73.0% and 73.7% would be attributable to two of our major customers, namely, Samsung and Penta-Ocean for the said period, respectively. In September 2017, we undertook one project from Penta-Ocean, namely, Project Woodlands, which is expected to commence in November 2017 and to be completed in March 2018. In respect of Project Woodlands, we were required to provide the cut and bend service, which involves the processing of approximately 7,300 tonnes of steel reinforcing bars during the project, which indicated a positive signal of our customers’ demand for our cut and bend service should we set up our cut and bend factory. Our estimated annual usage of steel reinforcing bars in each of 2017 and 2018 is lower than that in each of 2015 and 2016, which is mainly due to the significant usage of steel reinforcing bars for two hospital projects, namely, Project Sengkang General Hospital 1 and Project Sengkang General Hospital 2, and construction of the tallest building in Singapore as at the Latest Practicable Date, namely, Project Tanjong Pagar Mixed Development, and Project Tanjong Pagar Hotel, as compared with our existing projects. As at the Latest Practicable Date, we had submitted four quotations to our customers for our subcontractor projects and the engagement of us is yet to be confirmed. Among these four quotations, the one involving the least usage of steel reinforcing bars amounted to approximately 21,000 tonnes from 2018 onwards. Having considered that (i) we will continue to identify new construction projects for the coming years; and (ii) it generally takes our customers around 1.5 months to 11 months to consider our quotation and confirm our engagement based on our Directors’ experience, we do not preclude a higher-than-expected actual usage of steel reinforcing bars in 2018 if we obtain any further construction projects involving the use of steel reinforcing bars.

In view of the aforesaid and the demand for our cut and bend services as indicated by our customers pursuant to the relevant framework agreements, we believe that our annual processing production capacity of 30,000 tonnes, generated from our cut and bend factory, could be significantly filled up and we will continue to engage external cut and bend service providers to perform the cut and bend service for us, if necessary. Given that our Directors believe that we can offer competitive prices for the cut and bend service we provide and the aforesaid intention of our major customers, we are of the view that our cut and bend factory will allow us to enhance the operating efficiency of our cut and bend process and to control the schedule of our projects more effectively, which would support the business development of our Group. For details, please refer to the section headed “Business — Set up our dormitory and cut and bend factory — (ii) Set up our cut and bend factory to facilitate our expansion” of this document.

During the Track Record Period, the amount we incurred for accommodation expenses amounted to S\$1.1 million, S\$0.7 million and S\$0.2 million, respectively, representing approximately 4.5%, 3.1% and 2.0% of our direct costs for the respective periods. Our Group expects that with our own dormitory to accommodate our foreign workers, we can save an amount of our direct costs. The setting up of our own dormitory would reduce our accommodation expenses. It is expected that the maximum capacity of our dormitory is 150 workers and the accommodation expenses incurred on each worker, including rental and other related expenses, is approximately S\$300 per month, with reference to the current tenancy agreements with our existing dormitory service provider and our historical dormitory expenses (including accommodation expenses and other dormitory-related expenses such as laundry expenses, conservancy charges and utilities) and our average number of foreign workers who had stayed in

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dormitories during the Track Record Period. If we were to seek external dormitory providers to accommodate these 150 workers, the total amount to be incurred on rental and other related expenses would amount to approximately S\$540,000 per year. Such amount could be saved should we accommodate these 150 workers in our own dormitory. The running of our own dormitory would incur expenses annually on items including utilities costs of approximately S\$78,000, salaries of security guards and cleaners of approximately S\$65,000, interest expenses in relation to the bank borrowings raised for financing the New Property of approximately S\$33,000 and depreciation incidental to the setting up of our dormitory of approximately S\$246,500 (assuming the remaining lease term of the New Property is 20 years), the aggregate of which is expected to be approximately S\$422,500 each year. Hence, the net amount of accommodation expenses that could be saved from setting up our own dormitory to accommodate 150 of our workers would amount to approximately S\$117,500 each year. Apart from saving our accommodation expenses, the setting up of our own dormitory to accommodate 150 of our foreign workers will offer us administrative convenience. Firstly, we are able to save time for locating suitable dormitories for 150 of our foreign workers. Secondly, to better facilitate our work permit applications and renewals, we are required to register or update the residential addresses of our foreign workers on a timely basis. If we are able to accommodate 150 of our foreign workers in our own dormitory, we will be able to deal with the address registration procedures with MOM in a more efficient manner. During the Track Record Period, our Group employed, on average, around 432, 371 and 389 foreign workers who require accommodation. Should we maintain such project flow and an employment level, we would need to continue to lease dormitory from external providers to accommodate the remaining workers, given that the expected capacity of our dormitory would be 150 workers. For details, please refer to the section headed “Business — Set up our dormitory and cut and bend factory — (i) Acquire a property for our dormitory and cut and bend factory” of this document.

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

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

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

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Detailed bases and assumptions used in arriving the abovementioned breakeven point and investment payback period in respect of the operation of our dormitory and cut and bend factory include the followings:

- (i) the expected annual income from operating our cut and bend factory of S\$3.0 million, being determined with reference to (i) the expected annual production capacity of 30,000 tonnes for our cut and bend machinery; and (ii) the expected unit price of our cut and bend services of S\$100 per tonne;
- (ii) as regards the breakeven point for solely our cut and bend factory, the expected annual costs and expenses for operating our cut and bend factory of approximately S\$2.0 million including workers’ salaries, utilities, logistics expenses, depreciation and interest expenses in relation to the bank borrowings to be raised for funding the property;
- (iii) as regards the investment payback period for our dormitory and cut and bend factory as a whole, the expected annual cash-outflow for operating our dormitory and cut and bend factory of approximately S\$1.7 million (i.e. sum of the aforesaid expenses in the amount of approximately S\$2.0 million and additional expenses of approximately S\$422,500 relating to operation of our dormitory less total depreciation of approximately S\$767,100); and
- (iv) as regards the investment payback period for our dormitory and cut and bend factory as a whole, the expected annual savings of workers’ accommodation costs when they stay in our own dormitory instead of a third-party dormitory of approximately S\$540,000, being determined with reference to (i) the accommodation capacity of 150 workers for our dormitory; and (ii) the expected average monthly dormitory costs (mainly including accommodation expenses, laundry expenses, conservancy charges and utilities) per worker of approximately S\$300 per worker.

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

As at 31 August 2017, our Group had unutilised banking facilities of approximately S\$0.8 million, which consisted of (i) overdraft (“**Overdraft**”) for general working capital purposes of approximately S\$0.1 million; (ii) credit card limit (“**Credit Card**”) for general working capital purposes of approximately S\$0.1 million; and (iii) trading facilities (“**Trade Facilities**”) of approximately S\$0.6 million, comprising letters of credit and trust receipts, of which usage is restricted to, among others, financing suppliers accounts. The Overdraft and Trading Facilities in the aggregate amount of approximately S\$0.7 million require bank’s approval before drawdown. In addition, our unutilised banking facilities are repayable on demand. Therefore, we do not consider the unutilised facilities as

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appropriate banking facilities to fund our intended acquisition of a suitable property for our dormitory and cut and bend factory. The [REDACTED] will enable us to pursue our business strategies with the support of capital and allow us to grasp the relevant investment opportunities in a timely manner.

The above allocation of the [REDACTED] of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is determined at a higher or lower level compared to the mid-point of the [REDACTED] range.

Assuming that the [REDACTED] is determined at [REDACTED] (being the high-end of the [REDACTED] range), our Company will receive additional [REDACTED] of approximately [REDACTED] (equivalent to approximately [REDACTED]).

Assuming that the [REDACTED] is determined at [REDACTED] (being the low-end of the [REDACTED] range), the [REDACTED] our Company receives will be reduced by approximately [REDACTED] (equivalent to approximately [REDACTED]).

The [REDACTED] will be used in the same proportions as disclosed above irrespective of whether the [REDACTED] is determined at the highest or lowest point of the indicative [REDACTED] range.

To the extent that the [REDACTED] of the [REDACTED] are not immediately required for the above purposes, our Directors currently intend that such [REDACTED] be placed on short-term deposits with licensed banks and/or financial institutions.

### **Regulatory requirements for the setting up of our cut and bend factory and dormitory**

To implement our expansion plans, we are required to seek and obtain certain approvals, consents or permissions in relation to the setting up of our dormitory and cut and bend factory:

1. Our Group is required to obtain Industrial Allocation Clearance from the NEA to ensure the set up of an dormitory and cut and bend factory to meet the zoning requirement of the area.
2. To acquire the New Property for our dormitory and cut and bend factory, our Group is generally required to obtain an approval from JTC.
3. Given that the workers’ dormitory is treated as residential use under the Residential Property Act (the “RPA”), our Group is required to obtain clearance approval from the LDAU under Section 10 or Section 25 of the RPA for our Group to purchase the New Property as workers’ dormitory.
4. Our Group needs to apply for a dormitory licence and we are required to obtain a consent from the Commissioner for Foreign Employee Dormitories pursuant to Section 17 of the Foreign Employee Dormitories Act 2015.
5. For any alternation works on the New Property, our Group is required to obtain a permission from URA.
6. Our Group will be required to submit to the NEA Central Building Plan for environmental health and pollution matters. For surface water drainage or sewage and sanitary works, our Group is required to obtain approvals from the PUB Building Plan Unit.

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7. As our Group intends to use part of the New Property for a warehouse or for storage, we are required to obtain clearance from the LTA.
8. With respect to the New Property's fire safety requirements, our Group is required to seek approval from the SCDF.
9. In respect of the addition and alternation work on the New Property, our Group is required to submit plans to BCA to seek the building plan approval and structural plan approval.

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

As at the Latest Practicable Date, we had not commenced any application for the requisite approvals, consents or permissions in relation to, among others, our acquisition of the New Property, the usage of the part of the New Property, the dormitory licence and consent and the fire safety requirements. Nevertheless, we believe that it is feasible to obtain such approvals, consents or permissions to implement our expansion plans from the relevant authorities within 16 weeks starting for the execution of sale and purchase agreement and that the steps to be taken for the relevant applications can be taken simultaneously. The following table sets out the details and indicative timetable for the application for the requisite approvals, consents and permissions in relation to the setting up of our cut and bend factory and dormitory:

<b>Event</b>	<b>Timetable</b>
New Property selection stage	September 2017 to March 2018
Execution of sale and purchase agreement	March 2018
Seeking the following approval and consent in relation to land use and operation of the cut and bend factory and dormitory:  (i) Approval from LDAU (ii) Industrial allocation clearance from NEA (iii) Dormitory licence and consent from MOM (iv) Approval from JTC	April 2018 to May 2018
Completion of sale and purchase agreement and commencement of building works	June 2018

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Event	Timetable
Seeking the following approval and consent in relation to building works of the cut and bend factory and dormitory:	June 2018 to July 2018
(i) Approval for environmental health and pollution matter from NEA	
(ii) Approval for surface water drainage and sewerage and sanitary works from PUB	
(iii) Vehicle parking lot sufficiency clearance from LTA	
(iv) Fire safety plan approval from SCDF	
(v) Building plan approval and structural plan approval from BCA	
(vi) Permission from URA	
Renovation work for cut and bend factory and dormitory	August 2018 to October 2018
Installation of cut and bend production facility	November 2018
Trial run for cut and bend production facilities	December 2018
Commencement of cut and bend production	January 2019

As at the Latest Practicable Date, we had not commenced any application for approvals, consents or permissions. Our Singapore Legal Advisers are of the opinion that there is no legal impediment for our Group to obtain all the approvals, consents and permissions to execute our expansion plans.

### REASONS FOR [REDACTED]

Our Directors believe that our Company and its Shareholders will benefit as a whole from the [REDACTED] for the following reasons:

**(i) Accelerate the implementation of our corporate strategies**

Our Group is operating in a labour-intensive and capital-intensive environment, and we have spent considerable efforts in managing our financial and human resources. Most of the [REDACTED] from the [REDACTED] are expected to be dedicated to the implementation of our corporate strategies. As part of our expansion plan, we intend to take on additional projects in the forthcoming years. In the event that we undertake more large-scale projects, we may need to inject more capital resources, which would mean that we have a genuine need to seek additional sources of funding to finance our forthcoming projects. The [REDACTED] grants our Group access to a larger investor base and additional fund-raising channels where we can promptly raise new capital from time to time, and accelerates our pace of achieving our business objective. In addition, our Directors believe the success of our future plans would benefit our international investors by creating long term growth of our Company.

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### (ii) Promote our corporate profile and reputation

Our Group has been contemplating the growth and expansion of our business and accordingly, [REDACTED] has been considered. Our Company has never applied for [REDACTED] of our Shares in other jurisdictions including the Singapore Stock Exchange. Our Group explored other platforms and concluded that the Stock Exchange is a suitable platform given its level of internationalism, maturity in the global financial world and sufficient institutional capital and funds following listed companies in Hong Kong. Our Directors are of the view that Hong Kong is well-established worldwide as an international financial hub capable of attracting international investors, which may allow our Group to gain better access to international financing. Furthermore, given the level of information disclosure and transparency required by the Stock Exchange, our Directors recognised that our Group can enhance its presence and visibility in the capital market in Hong Kong as well as among potential international investors.

Our Directors believe that the [REDACTED] on the Stock Exchange will provide an indirect complimentary advertising to raise our Group’s brand awareness and publicity on an international level, making our Company’s range of services known to new potential local and international customers for their projects in Singapore, in the hope of leading to an increase in our Company’s market share. Being a publicly traded company, the flow of information is established towards different stakeholders, including Shareholders, customers, suppliers, subcontractors and our employees. The [REDACTED] status and the public disclosure of our information will allow these parties to know ourselves better and, hence, are an effective way to promote our corporate profile as well as enhance our Group’s reputation.

In addition, our Directors believe that customers may prefer contractors who are listed given that a listed company is subject to ongoing regulatory compliance for announcements, public financial disclosures and general regulatory supervision by relevant regulatory bodies. Our Directors further believe that our Group may be considered more favourably by our customers when we tender for projects as a main contractor given our reputation and [REDACTED] status. Given the continuing expansion plans of our Group, the [REDACTED] would give us an additional fund raising option by issuance of Shares. Therefore, although our Group has a strong financial position during the Track Record Period, the publicity from the [REDACTED] would be beneficial to our Group. Our Directors believe that to the best of their knowledge and belief, our Company would be eligible to apply for [REDACTED] on, if we were to list on, the Singapore Stock Exchange.

### (iii) Facilitate capital structure’s optimisation

In choosing between debt financing and equity financing, our Directors have taken into account (i) the nature of construction industry, especially the reinforced concrete works industry in which our Group operates, where upfront cash outflow is often incurred in the early phase of our project. The early cash outflow is also expected to be in place quickly after our customer has engaged us, which would mean equity financing is a more appropriate source since funds raised from the issue of equity are a committed source of fund and does not entail a maturity date. Moreover, our Directors consider that additional capital resources from the [REDACTED] will enable our Group to increase its profitability with less finance cost burden; (ii) debt financing from banks or financial institutions normally require the pledge of properties or other significant assets, which our Group lacks or does not require for our operation; and (iii) debt financing and equity

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financing are not mutually exclusive, but our Group is expected to have a better position to negotiate with banks and financial institutions if we are a [REDACTED] company with enlarged equity and financial capital base. Our Directors further believe that the [REDACTED] would broaden our shareholder base and enhance the liquidity of our Shares, as compared to the limited liquidity of our Shares that are privately held before the [REDACTED]. Our Directors seek to optimise our Company's capital structure and take the view that the [REDACTED] will give our Group the flexibility in doing so.

Our executive Directors had considered and evaluated different [REDACTED] venues including Hong Kong and Singapore and have concluded that Hong Kong is the suitable platform for our [REDACTED] after taking into account the following principal factors:

- *Higher liquidity in Hong Kong*

Our executive Directors consider the level of trading activities on a stock exchange to be one of the key factors indicating the ease of conducting secondary fundraising exercises after a [REDACTED]. A secondary fundraising exercise such as a secondary placement of shares would generally be more attractive to investors if there is a more liquid market, where there will be more willing buyers, who may invest in our shares under the fundraising exercise, and sellers, who may realise their investment subsequently. Based on the information from the Stock Exchange, the average daily turnover of securities in Hong Kong was approximately HK\$105.6 billion (equivalent to S\$19.1 billion) and HK\$66.9 billion (equivalent to S\$12.1 billion), respectively, for the two years ended 31 December 2016. By comparison, according to the Stock Exchange of Singapore, the average daily turnover of securities in Singapore was approximately HK\$6.1 billion (equivalent to S\$1.1 billion) and HK\$6.1 billion (equivalent to S\$1.1 billion), respectively, for the corresponding periods. Furthermore, based on the data retrieved from the Stock Exchange and the Stock Exchange of Singapore, the average daily turnover of stocks for all companies, which fall within the construction category, listed on the Stock Exchange and those listed on the Stock Exchange of Singapore for the two years ended 31 December 2016 was approximately HK\$419.0 million (equivalent to S\$75.6 million) and HK\$18.1 million (equivalent to S\$3.3 million), respectively. Our executive Directors further note that for construction companies having similar market capitalisation to our Group (i.e. construction companies with market capitalisation between HK\$200.0 million and HK\$400.0 million as at 30 April 2017), the average daily turnover of stocks for such companies listed on the Stock Exchange and those listed on the Singapore stock market for the two years ended 31 December 2016 was approximately HK\$47.8 million (equivalent to S\$8.6 million) and HK\$7.1 million (equivalent to S\$1.3 million), respectively, according to the data retrieved from the Stock Exchange and the Stock Exchange of Singapore. As such, our executive Directors are of the view that it would be easier to conduct secondary fundraising in the Hong Kong stock market, if necessary, for our further expansion in the future, than in the Singapore stock market as the Hong Kong market has higher liquidity.

- *Higher valuation in Hong Kong*

According to the data retrieved from Bloomberg, the market capitalisation weighted average price-earnings ratio of all companies listed on the Stock Exchange and those listed on the Singapore stock market as at 30 April 2017 was approximately 32.6 times and 17.2 times, respectively. Moreover, after excluding few outliers, the market capitalisation

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weighted average price-earnings ratio of all companies listed on the Stock Exchange which fall within the construction category and those listed on the Singapore stock market as at 30 April 2017 was 19.8 times and 16.5 times, respectively. As such, our executive Directors are of the view that the valuation of companies listed in Hong Kong is generally higher than those listed in Singapore, and thus there is a higher probability for our Company to achieve a higher valuation if the [REDACTED] is conducted through the Hong Kong stock market instead of the Singapore stock market.

Having considered the above, our executive Directors decided to apply for a [REDACTED] in Hong Kong instead of Singapore.

Our Directors believe that, for the following reasons, international investors would be interested in investing in our Group despite the fact that our Group is currently only operating in Singapore:

- During the Track Record Period, our Group had undertaken high profile projects such as Project Tanjong Pagar Mixed Development, Project Sengkang General Hospital 1 and 2 from customers which are multinational corporations such as Samsung and Penta-Ocean. Our Directors believe that given the international background of our customers, who are not only distinguished within the local community in Singapore but also receive high acclaim internationally, investors would be attracted by our Group’s customer profile to invest in our Group;
- Our Group is the first Singapore-based formwork subcontractor to be [REDACTED] in Hong Kong which, to our Directors’ belief, offers a significant niche as a participant in the Hong Kong Stock Exchange;
- 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. Correspondingly, the revenue generated from public sector projects of our Group accounted for approximately 21.8%, 72.5% and 91.5% for the two years ended 31 December 2016 and for the four months ended 30 April 2017, respectively, which reflected our Group, with the foresight of our management, was able to leverage the changing market trend.

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**IMPLEMENTATION PLAN**

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 31 December 2018. Prospective investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” of this document. Our Group’s actual course of business may vary from the business objectives set out in this document. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Based on the current state of the construction industry, our Directors intend that the [REDACTED] will be applied as follows:

Plans	From the Latest	For the six months		Approximate
	Practicable Date	ended		
	to 31 December	30 June	31 December	Total
	2017	2018	2018	[REDACTED]
	HK\$'000	HK\$'000	HK\$'000	HK\$'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	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The remaining approximately [REDACTED], approximately [REDACTED] of the [REDACTED], will be used to supplement our Group’s general working capital, particularly when we undertake main contractor work.

**BASES AND ASSUMPTIONS**

The business objectives set out by our Directors are based on the following bases and assumptions:

- (a) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (b) there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (c) there will be no change in the funding requirement for each of the near term business objectives described in this document from the amount as estimated by our Directors;

**FUTURE PLANS AND USE OF [REDACTED]**

- (d) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (e) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group; and
- (f) we will not be materially affected by the risk factors as set out in the section headed “Risk Factors” of this document.