

HON CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8259

An abstract graphic consisting of several overlapping, flowing, wavy bands in various shades of blue and teal, creating a sense of motion and depth. The bands curve across the middle of the page.

2018

THIRD QUARTERLY REPORT

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This report, for which the directors (the “Directors”) of Hon Corporation Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together, the “Group”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ho Lien Hwai
(Chairman and Chief Executive Officer)
Ms. Ng Mei Yun
Mr. Lim Shi Min

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Chye Kim
Mr. Lau Wang Lap
Mr. Chan Shun Yin

AUDIT COMMITTEE

Mr. Lau Wang Lap *(Chairman)*
Mr. Ng Chye Kim
Mr. Chan Shun Yin

REMUNERATION COMMITTEE

Mr. Ng Chye Kim *(Chairman)*
Mr. Ho Lien Hwai
Mr. Chan Shun Yin

NOMINATION COMMITTEE

Mr. Chan Shun Yin *(Chairman)*
Ms. Ng Mei Yun
Mr. Lau Wang Lap

COMPANY SECRETARY

Mr. Ng Chit Sing

AUTHORISED REPRESENTATIVES

Mr. Ho Lien Hwai
Mr. Ng Chit Sing

COMPLIANCE OFFICER

Mr. Ho Lien Hwai

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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CORPORATE INFORMATION

PRINCIPAL BANKER

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
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Hong Kong

STOCK CODE

8259

COMPANY WEBSITE

www.honindustries.com.sg

FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 4.1% to approximately S\$70.3 million for the nine months ended 30 September 2018 from approximately S\$73.3 million for the nine months ended 30 September 2017.

Gross profit was largely consistent at approximately S\$7.1 million for the nine months ended 30 September 2017 and 2018.

Adjusted profit (excluding listing expenses of approximately S\$2.2 million) increased by approximately 4.2% to approximately S\$2.5 million for the nine months ended 30 September 2018 from approximately S\$2.4 million for the nine months ended 30 September 2017.

The gross profit margin increased by approximately 0.4% to approximately 10.1% for the nine months ended 30 September 2018 from approximately 9.7% for the nine months ended 30 September 2017.

Adjusted profit attributable to equity holders of the Company (excluding listing expenses of approximately S\$2.2 million) was largely consistent at approximately S\$2.5 million for the nine months ended 30 September 2017 and 2018.

The Board has resolved not to declare any interim dividend for the nine months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The construction market in Singapore remained relatively stable for the nine months ended 30 September 2018, with no material adverse change in the general economic and market conditions in Singapore or the industry in which we operate that had materially or adversely affected or would affect our business operations or financial condition.

BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group has remained unchanged during the nine months ended 30 September 2018. The Group's operations are located in Singapore and our revenue and profit from operations are solely derived from services rendered within Singapore. The Group is actively involved as a main contractor in both private and public sector projects which includes institutional, industrial, commercial and residential projects. The revenue was principally derived from project works for our (i) building and infrastructure projects; (ii) interior decoration projects; and (iii) term contracts.

Looking forward, the Group will continue to focus on strengthening our market position in the building and construction industry in Singapore. Leveraging our competitive advantages in terms of credibility and visibility in the building and construction industry upon listing of the Company, the board of directors (the "Board") expects that the Group is well-positioned for the challenges and competition ahead, and aims to deliver satisfactory return to shareholders.

ONGOING PROJECTS

As at 30 September 2018, the Group had six ongoing building and infrastructure projects, two interior decoration projects (for one of which the project works has been substantially completed but the certificate of substantial completion has yet to be issued), and six term contracts with an aggregate contract sum of approximately S\$296.3 million, of which approximately S\$177.5 million has been recognised as revenue as at 30 September 2018. The remaining balance will be recognised as our revenue in accordance with the stage of completion. Please refer to the section headed "Business — Our projects" in the prospectus of the Company dated 22 October 2018 (the "Prospectus") for details of the projects.

The management considered that all of the ongoing projects were on schedule and none of which would cause the Group to indemnify the third parties and increase the contingent liabilities as at 30 September 2018.

NEWLY AWARDED PROJECTS

During the nine months ended 30 September 2018, the Group had secured two building and infrastructure projects in private sector, one interior decoration project in public sector and two term contracts in public sector. Please refer to the section headed "Business — Our projects" in the Prospectus for details of the projects.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue, the number of projects/contracts performed and the percentage contribution to total revenue for the nine months ended 30 September 2018 and 2017:

	For the nine month ended 30 September					
	2018			2017		
	Number of projects/contracts	Revenue (\$S'000)	% of revenue (%)	Number of projects/contracts	Revenue (\$S'000)	% of revenue (%)
Building and infrastructure projects	6	54,425	77%	5	62,027	85%
Interior decoration projects	3	3,445	5%	6	5,586	8%
Term contracts	5	12,403	18%	3	5,703	7%
	14	70,273	100%	14	73,316	100%

Revenue decreased by approximately 4.1% to approximately S\$70.3 million for the nine months ended 30 September 2018 from approximately S\$73.3 million for the nine months ended 30 September 2017. The decrease in our revenue was mainly attributable to:

- (i) a decrease in work done in a building and infrastructure project, Project International School, due to its substantial completion during the nine months ended 30 September 2018; and
- (ii) a decrease in revenue contributed by interior decoration projects due to completion of Project Senior during the nine months ended 30 September 2017 and completion of Project Healthcare during the nine months ended 30 September 2018, which resulted in revenue contributed by these projects decreased by approximately S\$4.0 million in aggregate for the nine months ended 30 September 2018.

These effects of the above were partially offset by the increase in revenue generated from term contract projects which was mainly due to commencement of Project Park Connector with revenue contribution of approximately S\$6.5 million during the nine months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Aside from the aforementioned projects, there were increases and decreases in revenue recognised from our projects due to the varying amount of works performed for nine months ended 30 September 2017 and 2018.

Cost of Services

Cost of services of the Group refer to costs that are directly related to our project works such as subcontracting costs, material costs, staff costs, and overheads. Cost of services amounted to approximately S\$63.2 million for the nine months ended 30 September 2018, representing a decrease of approximately 4.5% over the correspondence period of the previous year, which was generally in line with our decrease in revenue during the nine months ended 30 September 2018.

Gross Profit and Gross Profit Margin

The gross profit of the Group was largely consistent at approximately S\$7.1 million for the nine months ended 30 September 2017 and 2018 while the gross profit margin increased by approximately 0.4% to approximately 10.1% for the nine months ended 30 September 2018 from approximately 9.7% for the nine months ended 30 September 2017. The increase in gross profit margin was mainly due to commencement of work performed for Project Park Connector during the nine months ended 30 September 2018, which contributed approximately S\$0.7 million to the gross profit, with a higher gross profit margin of approximately 11.3%.

Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company decreased from approximately S\$2.5 million for the nine months ended 30 September 2017 to approximately S\$0.3 million for the nine months ended 30 September 2018, representing a decrease of approximately S\$2.2 million. Excluding the one-off listing expenses of approximately S\$2.2 million for the nine months ended 30 September 2018, the adjusted profit for the nine months ended 30 September 2018 would be approximately S\$2.5 million, which was largely consistent with the corresponding period for the nine months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

The other income of the Group decreased by approximately S\$91,000 or 11.5% from approximately S\$788,000 for the nine months ended 30 September 2017 to approximately S\$697,000 for the nine months ended 30 September 2018. The decrease was mainly due to (i) a decrease of approximately S\$276,000 in the imputed interest income on amounts due from shareholders, which were fully repaid in January 2018; (ii) a decrease of approximately S\$93,000 in government grant and subsidies income ; (iii) a decrease of approximately S\$229,000 in engineering service income; and (iv) a decrease of approximately S\$58,000 in sundry income mainly contributed by higher insurance claims during the nine months ended 30 September 2017. These were partially offset by an increase of approximately S\$250,000 contributed by higher sales of scrap materials during the nine months ended 30 September 2018 and an increase of approximately S\$315,000 rental income received during the nine months ended 30 September 2018.

Administrative Expenses

The administrative expenses of the Group increased by approximately S\$0.1 million or approximately 2.4% from approximately S\$4.2 million for the nine months ended 30 September 2017 to approximately S\$4.3 million for the nine months ended 30 September 2018. The slight increase was mainly attributable to an impairment loss recognised in respect of trade receivables of S\$0.1 million during the nine months ended 30 September 2018.

Finance Costs

The finance costs of the Group comprised mainly interest expenses on borrowings from bank and financial institutions and finance leases for certain motor vehicles, plant and machinery and office equipment. The finance costs was largely consistent at approximately S\$0.4 million for the nine months ended 30 September 2017 and 2018.

Income Tax Expenses

The income tax expenses of the Group decreased from approximately S\$557,000 for the nine months ended 30 September 2017 to approximately S\$548,000 for the nine months ended 30 September 2018. The decrease was mainly due to the decrease in assessable profits.

MANAGEMENT DISCUSSION AND ANALYSIS

Discontinued operations

On 31 December 2017, the Group entered into a sale agreement to dispose of a subsidiary, Advanced Engineering Group (International) Pte. Ltd. ("Advanced Engineering"), which carried out the manufacturing and repairing business. The disposal was completed on 31 December 2017, on which date control of Advanced Engineering was passed to the acquirer.

We recorded a recognised loss of approximately \$0.1 million for the three months ended 30 September 2017 and a recognised loss of approximately \$0.4 million nine months ended 30 September 2017 from the discontinued manufacturing and repairing business.

Interim Dividend

The Board has resolved not to declare any interim dividend for the nine months ended 30 September 2018 (30 September 2017: Nil).

Liquidity and Financial Resources

The Group practised prudent financial management and maintained a strong and sound financial position as at 30 September 2018. The Group finances its daily operations through a combination of internally-generated funds from operations and borrowing. Upon listing (the "Listing") of the Company on 7 November 2018 (the "Listing Date"), source of funds of the Group will be a combination of internally-generated funds, borrowings and net proceeds from the share offer. As at 30 September 2018, the Group had cash and cash equivalents of approximately S\$1.1 million (31 December 2017: approximately S\$1.9 million). The decrease in cash and cash equivalents was mainly attributable to the purchases of property, plant and equipment of approximately S\$1.2 million. This was partially offset by the full settlement of amounts due from shareholders of S\$243,000 in January 2018.

The total interest-bearing borrowings, including bank overdraft, bank borrowings, bills payables, obligations under finance leases, and liabilities associated with assets classified as held for sales was approximately S\$18.9 million (31 December 2017: approximately S\$23.8 million). The current ratio, being the ratio of current assets to current liabilities was approximately 1.1 times as at 30 September 2018 (31 December 2017: approximately 1.0 time). As at 30 September 2018, the gearing ratio of the Group was 1.7 times (31 December 2017: 2.1 times). The gearing ratio is calculated as total debts (borrowings, finance lease obligations, and bills payables) divided by total equity.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30 September 2018,

- (a) the Group had pledged bank fixed deposits of approximately S\$0.8 million (31 December 2017: S\$0.7 million) as collateral to securing certain bills payables and borrowings granted to the Group ;
- (b) the Group's properties with an aggregate carrying value of approximately S\$12.1 million (31 December 2017: S\$11.0 million) were also pledged for mortgage to securing certain bank loans, bills payables and borrowings granted to the Group ; and
- (c) the Group's obligation under a finance lease was secured by the lessor's title to the leased asset, which had a carrying amount of approximately S\$1.0 million (31 December 2017: S\$2.7 million).

Foreign Exchange Exposure

For the nine months ended 30 September 2018, the headquarters and principal place of business of the Group is in Singapore with our revenue and cost of services mainly denominated in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries.

However, upon Listing of the Company, there will be proceeds from the share offer denominated in HK dollars that are exposed to foreign exchange rate risks. As such, the Group may be exposed to fluctuations in exchange rate.

The Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the nine months ended 30 September 2018, the Group has not entered into any agreement or commit to any financial instruments to hedge any exchange rate exposure.

Share Capital

The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination its cash and cash equivalents, cash flows generated from operations, bank facilities, net proceeds from the share offer upon listing.

Contingent Liabilities

As at 30 September 2018, the Group had an outstanding performance bond for construction contracts amounted to approximately S\$15.0 million (31 December 2017: S\$15.4 million). The performance bonds are secured by personal guarantees given by the certain Directors and released when the construction contracts are practically completed. As represented by those Directors of the Company, the personal guarantees will be released upon Listing and replaced by corporate guarantee.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group was involved in a legal proceeding (the “Proceedings”) against the Group in respect of a dispute with our subcontractor for outstanding payment in respect of works performed at our Project Park worksite, for which Proceedings are still ongoing and settlement has not been reached as at the date of this report. Based on the legal counsel of the Group, the Group has a legitimate and sound defence and our maximum exposure to the proceedings would be up to approximately S\$0.3 million, being the total liquidated damages claimed by that subcontractor.

Save as disclosed above and as at 30 September 2018, the Group did not have any other material contingent liabilities (31 December 2017: S\$Nil).

Commitments

As at 30 September 2018,

- (a) the Group had no capital commitment (31 December 2017: S\$Nil);
- (b) the Group had operating lease commitment amounted to approximately S\$352,000 in relation to the minimum rent payable under non-cancellable leases for two properties for our head office and certain office equipment under operating leases (31 December 2017: S\$124,000); and
- (c) the Group had future minimum rent income receivable under contracts with tenants amounted to approximately S\$37,000 in relation to the Group’s properties held have committed tenants for the next 3 months (31 December 2017: S\$147,000).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the nine months ended 30 September 2018, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies (except for those in relation to the group reorganisation in preparation of the Listing of the Company as set out in the Prospectus).

Significant Investments Held

Except for investment in its subsidiaries and properties held by the Group, the Group did not hold any significant investments during the nine months ended 30 September 2018.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the section headed “Future plans and use of proceeds” in the Prospectus, the Group did not have other plans for material investment or capital assets as at 30 September 2018.

UNAUDITED CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed combined third quarterly results of the Group for the nine months ended 30 September 2018 ("Reporting Period"), together with the unaudited comparative figures for the corresponding period in 2017 as follows:

UNAUDITED CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Continuing operations					
Revenue	3	19,684	22,927	70,273	73,316
Cost of services		(17,412)	(21,017)	(63,191)	(66,182)
Gross profit		2,272	1,910	7,082	7,134
Other income	4	252	211	697	788
Other gains or losses	5	–	–	–	–
Administrative expenses		(1,245)	(1,355)	(4,293)	(4,177)
Finance costs	6	(174)	(157)	(436)	(379)
Listing expenses		(227)	–	(2,196)	–
Profit before taxation		878	609	854	3,366
Income tax expense	7	(209)	(97)	(548)	(557)
Profit for the period from continuing operations	8	669	512	306	2,809
Discontinued operations					
Loss for the period from discontinued operations	9	–	(143)	–	(421)
Profit for the period		669	369	306	2,388

UNAUDITED CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
<i>Item that will not be reclassified to profit or loss:</i>				
Gain on revaluation of properties	–	–	127	–
Other comprehensive income for the period, net of tax	–	–	127	–
Total comprehensive income for the period	669	369	433	2,388
Profit (loss) for the period attributable to owners of the Company				
— from continuing operations	669	512	306	2,809
— from discontinued operations	–	(83)	–	(244)
Profit for the period attributable to owners of the Company	669	429	306	2,565
Loss for the period attributable to non-controlling interests of a subsidiary from discontinued operations	–	(60)	–	(177)
	669	369	306	2,388
Total comprehensive income (expense) attributable to:				
Owners of the Company	669	429	433	2,565
Non-controlling interests	–	(60)	–	(177)
	669	369	433	2,388

UNAUDITED CONDENSED COMBINED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Attributable to owners of the Company					Non-controlling interests	Total
	Combined capital	Revaluation reserve	Accumulated (losses) profits	Sub-total			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2017 (Audited)	6,500	2,256	(95)	8,661	77	8,738	
Profit (loss) for the period	-	-	2,565	2,565	(177)	2,388	
At 30 September 2017 (Unaudited)	6,500	2,256	2,470	11,226	(100)	11,126	
At 1 January 2018 (Audited)	6,500	2,672	1,748	10,920	-	10,920	
Profit for the period	-	-	306	306	-	306	
Gain on revaluation of properties	-	127	-	127	-	127	
Total comprehensive income for the period	-	127	306	433	-	433	
At 30 September 2018 (Unaudited)	6,500	2,799	2,054	11,353	-	11,353	

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company in Cayman Islands with limited liability on 8 February 2018. The registered address of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Singapore is at Block 20, Ang Mo Kio Industrial Park 2A, #07-33 AMK Tech link, Singapore 567761.

The Company's ultimate holding company is Bizstar Global Limited ("Bizstar Global"), a company incorporated in the British Virgin Islands ("BVI") and beneficially owned by Mr. Ho Lien Hwai ("Mr. Ho") and Mr. Lim Shi Min ("Mr. Lim").

The Company is an investment holding company and its major operating subsidiary, Hon Industries Pte Ltd ("Hon Industries"), is principally engaged in the provision of construction services.

The Company's shares are listed on the GEM of The Stock Exchange on 7 November 2018.

2. REORGANISATION AND BASIS OF PREPARATION

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on GEM (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 8 October 2018. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" in the Prospectus.

The group resulting from the Reorganisation which involves interspersing investment holding companies (including the Company and Energy Turbo Limited) between Hon Industries and its controlling shareholders is continued to be controlled by the controlling shareholders and is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared on the basis as if the Company has always been the holding company of the companies now comprising the Group throughout the Reporting Periods. The unaudited condensed combined statement of profit or loss and other comprehensive income and unaudited condensed combined statement of changes in equity have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the Reporting Periods, or since their respective date of incorporation, where this is a shorter period.

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

2. REORGANISATION AND BASIS OF PREPARATION *(Continued)*

The unaudited condensed combined financial information of the Group for the three months and the nine months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017 (the "Financial Information") have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). In addition, the Historical Financial Information includes applicable disclosures required by the GEM Listing Rules.

The Financial Information have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each Reporting Period and is presented in Singapore dollars ("S\$"), which is the same as the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands ("S\$'000"), except where otherwise indicated.

The Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the periods beginning on 1 January 2017 and 2018, except that the Group adopted IFRS 9 Financial Instruments on 1 January 2018 and International Accounting Standards ("IAS") 39 Financial Instruments: Recognition and Measurement during the period ended 30 September 2017. Except for the change in classification of payments for life insurance policy from loans and receivables under IAS 39 to financial asset at fair value through profit or loss ("FVTPL") under IFRS 9, the application of IFRS 9 on 1 January 2018 has no impact on the combined financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at same date.

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

2. REORGANISATION AND BASIS OF PREPARATION *(Continued)*

At the date of this report, the Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

Except as described above, the Directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the Group's financial performance and positions and/or the disclosures to the financial statements of the Group in the future.

The Financial Information should be read in conjunction with the combined financial statements for two years ended 31 December 2017 and the four months ended 30 April 2018 in the section headed "Appendix I Accountant Report" in the Prospectus.

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

3. REVENUE AND SEGMENTAL INFORMATION

Continuing operations

Revenue represents the fair value of amounts received and receivable from the provision of project works provided by the Group to external customers. The Group's operations are solely derived from Singapore. Information are reported to the executive directors of the Company, who are also the chief operating decision maker ("CODM") and the Directors of the operating subsidiary, for the purposes of resource allocation and performance assessment.

Revenue from major services

The Group derives all of its revenue from provision of project works over time in the following major services.

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Project works for:				
Building and infrastructure	16,443	20,325	54,425	62,027
Interior decoration	619	949	3,445	5,586
Term contracts	2,622	1,653	12,403	5,703
	19,684	22,927	70,273	73,316

Revenue are derived from the below customers:

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Government and governmental bodies	16,491	14,424	49,486	38,609
Private companies	3,193	8,503	20,787	34,707
	19,684	22,927	70,273	73,316

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Revenue from major services *(Continued)*

All of the Group's revenue are made directly with the customers. Contracts with the Group's customers are mainly fixed price contracts. The respective project works is a single performance obligation that the Group satisfies over time. The period of project works and support services vary from 1 to 3 years.

The customers of the Group include Singapore Government agencies (including statutory boards) and private companies (including housing developers, healthcare providers, institutions of learning, commercial building owners and industrial building owners) in Singapore.

At 30 September 2018, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S\$118.8 million (31 December 2017: S\$151.3 million). The directors of the Company expect that the unsatisfied performance obligation will be recognised as revenue varying from 1 to 3 years according to the contract period.

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group from continuing operations are as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Customer A	10,779	8,873	34,450	17,461
Customer B	N/A ¹	7,638	17,389	29,205
Customer C	N/A ¹	3,669	N/A ¹	15,170
Customer D	2,669	N/A ¹	N/A ¹	N/A ¹

Geographical information

The Group principally operates in Singapore, which is also the place of domicile. All revenue was derived from Singapore based on the location of services delivered and the Group's property, plant and equipment are all located in Singapore.

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

4. OTHER INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Continuing operations				
Imputed interest income on amounts due from shareholders ^(a)	–	96	–	276
Government grant and subsidies ^(b)	1	29	40	133
Engineering service income	–	58	–	229
Rental income	194	21	371	56
Sales of scrap metal	57	4	279	29
Sundry income	–	3	7	65
	252	211	697	788

- (a) Except for amounts due from shareholders of S\$243,000, the remaining balance of S\$3.5 million were measured at amortised cost using effective interest rate of 12% per annum during the nine months ended 30 September 2017. The amount of S\$243,000 was fully settlement in January 2018 and the remaining balance was fully settled by way of declaration of an interim dividend of approximately S\$3.5 million during the year ended 31 December 2017.
- (b) The government grant and subsidies received mainly comprise the Wage Credit Scheme ("WGC")², Mechanisation Credit ("MechC") scheme³, Temporary Employment Credit ("TEC") Scheme⁴ and Special Employment Credit ("SEC")⁵ in Singapore.

² The WGC is to help companies that may face rising wage costs in the tight labour market.

³ The MechC provides assistance to Singapore-registered businesses to defray the cost of adopting technologies that improve productivity in construction projects.

⁴ The TEC given to help employers cope with higher wage costs arising from Central Provident Fund changes.

⁵ Under SEC, the government aims to encourage and facilitate Singapore-registered business to hire older Singaporean workers.

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

5. OTHER GAINS OR LOSSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Continuing operations				
Compensation expenses ⁽ⁱ⁾	–	(565)	(2,259)	(767)
Compensation income from insurance company ⁽ⁱⁱ⁾	–	565	2,259	767
	–	–	–	–

(i) The amount represents payments of claim arising from loss and damage to property in respect of an accidental fire incident at the work site of a project in May 2017 (“Claims”).

(ii) The amount represents the income from an insurance company in relation to the Claims.

6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Continuing operations				
Interest on:				
Bank borrowings	37	32	114	95
Bills payables	120	105	266	217
Finance leases	14	20	46	63
Bank overdrafts	3	–	10	4
	174	157	436	379

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

7. INCOME TAX EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Continuing operations				
Tax expense comprises:				
Current Tax				
— Singapore corporate income tax ("CIT")	212	—	562	—
Deferred tax	(3)	97	(14)	557
	209	97	548	557

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 40%, capped at S\$15,000 for year of assessment ("YA") 2018, and adjusted to 20% capped at S\$10,000 for YA 2019. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income.

The Group recognised deferred tax in relation to the unused tax losses, unused tax credits and accelerated tax depreciation.

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

8. PROFIT FOR THE PERIOD

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Continuing operations				
Profit for the period has been arrived at after charging:				
Directors' emoluments				
Salaries, allowances and other benefits	222	209	666	636
Retirement benefit scheme contributions	9	9	28	28
	231	218	694	664
Other staff costs				
Salaries, wages and other benefits	3,252	2,354	5,811	6,126
Retirement benefits scheme contributions	85	90	268	272
	3,337	2,444	6,079	6,398
Total staff costs	3,568	2,662	6,773	7,062
Auditor's remuneration	29	12	70	38
Depreciation of property, plant and equipment	290	356	917	994
Loss on disposals of property, plant and equipment	-	-	59	-
Gross rental income from investment properties ^(a)	-	21	49	62
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	-	-	(66)	(7)
Impairment loss recognised in respect of trade receivables	-	-	142	-

- (a) On 18 December 2017, a potential buyer, an independent third party, entered into an agreement with the Group to purchase its investment property located at 32 Toh Guan Road East, Singapore 608578, for a cash consideration of S\$925,000.

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

9. DISCONTINUED OPERATIONS

On 31 December 2017, the Group and Mr. Tan Gim Chwee (“Mr. Tan”) (being a 42.1% shareholder in Advanced Engineering Group (International) Pte. Ltd (“Advanced Engineering”)), an Independent Third Party, entered into a sale and purchase agreement, pursuant to which the Group transferred its 57.9% shareholding interests in the issued share capital of Advanced Engineering to Mr. Tan at a consideration of S\$5,000, which was determined with reference to Advanced Engineering’s net asset value as at 15 December 2017. The disposal was completed on 31 December 2017, on which date control of Advanced Engineering passed to the acquirer.

Advanced Engineering is a manufacturing and repairing service company that serves the oil and gas industry. The Group initially invested in Advanced Engineering, through Hon Industries, in 2012 with the intention of creating synergy and diversifying the Group’s business profile. In December 2017, Advanced Engineering was disposed of by the Group pursuant to the Reorganisation as the Group intended to focus on acting as a main contractor in building and infrastructure projects.

The results of the manufacturing and repairing business for the period from 1 January 2017 to 30 September 2017, which have been included in the unaudited condensed combined statement of comprehensive income, were as follows:

	For the three months ended 30 September 2017 S\$'000 (Unaudited)	For the nine months ended 30 September 2017 S\$'000 (Unaudited)
Revenue	441	1,152
Cost of sales	(326)	(847)
Other income	30	87
Administrative expenses	(284)	(802)
Finance costs	(4)	(11)
Loss before taxation	(143)	(421)
Income tax expense	–	–
Loss for the period and total comprehensive expense for the period	(143)	(421)

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

9. DISCONTINUED OPERATIONS *(Continued)*

Loss for the period from discontinued operations includes the following:

	For the three months ended 30 September 2017 S\$'000 (Unaudited)	For the nine months ended 30 September 2017 S\$'000 (Unaudited)
Auditor's remuneration	1	7
Depreciation of property, plant and equipment	33	99

10. DISPOSALS OF SUBSIDIARY

On 20 February 2018, Hon Industries and Mr. Wong Ka Hui Roy (Huang Jiahui Roy) ("Mr. Roy Wong"), an Independent Third Party, entered into a sale and purchase agreement, pursuant to which Hon Industries transferred its entire shareholding interests in the issued share capital of GK Development Pte. Ltd. ("GK Development") to Mr. Roy Wong at a consideration of S\$124,000, which was determined with reference to GK Development's net asset value as at 31 December 2017. The disposal was completed on 17 May 2018.

GK Development was set up by in January 2010 for a real estate project in Singapore, through Hon Industries. In February 2018, GK Development was disposed of by the Group pursuant to the Reorganisation as it remained inactive since the completion of the real estate project in Singapore in 2012. During the nine months ended 30 September 2017 and 2018, GK Development did not contribute any material revenue, profit or loss to the Group.

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

10. DISPOSALS OF SUBSIDIARY *(Continued)*

The following are the asset and liability in respect of GK Development disposed of on the date of completion:

	S\$'000
Asset	
Cash and cash equivalent	125
Liability	
Trade and other payables	1
Net asset derecognised	
Cash consideration received	124 (124)
Gain on disposal	-

11. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the nine months ended 30 September 2017 and 2018.

12. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation and the results of the Group for the Reporting Periods that are prepared on a combined basis as set out in Note 2.

NOTES TO THE UNAUDITED CONDENSED COMBINED FINANCIAL INFORMATION

13. CONNECTED PARTY TRANSACTION

Name of connected party	Relationship	Nature of transaction	For the three months ended 30 September		For the nine months ended 30 September	
			2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Hilandas Property & Facilities Management Pte. Ltd.	Wholly-owned by the spouse of Mr. Ho	Sub-contracting services paid	-	12	-	15
Hon Builder Pte. Ltd.	Wholly-owned by Mr. Yap Meng Keong, the brother-in-law of Mr. Ho	Sub-contracting services paid Rental income	- 9	15 -	- 26	72 -
Wee Jo Enterprise Pte. Ltd.	Owned as to 48% by Mr. Ho Nam Joo and 52% by Ms. Ho Chong Min, the brother and niece of Mr. Ho, respectively	Sub-contracting services paid	9	17	41	36
City Garden Pte. Ltd.	Owned as to 71.19% by Mr. Lim Beng Keong, the cousin of Mr. Lim	Sub-contracting services paid	-	72	313	73

All of the above transactions with connected parties were conducted in the ordinary course of business of the Group based on the terms mutually agreed between the relevant parties.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (“Share Option Scheme”), which was approved by written resolutions passed by the then sole shareholder of the Company on 4 October 2018 and became unconditional on 7 November 2018. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group. The Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption, after which period no further options will be granted or offered. Details of the principal terms of the Share Option Scheme are set out in paragraph headed “13. Share Option Scheme” in section headed “Statutory and General Information” in Appendix V to the Prospectus.

As at 30 September 2018, there was no option outstanding, granted, cancelled, exercised or lapsed.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the aforesaid Share Option Schemes, at no time during the nine months ended 30 September 2018 was the Company or any associated corporation a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS AND CHIEF EXECUTIVE’S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

The shares of the Company were listed on GEM of the Stock Exchange on 7 November 2018. As at 30 September 2018, none of the Directors and chief executive of the Company had any interest and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which would have to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Immediately following completion of the share offer and the capitalisation issue of the Company, as at the date of this report, the interests or short positions of Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long position in the ordinary shares and underlying shares of the Company

Interests in the Company

Name of director	Interests in ordinary shares					Aggregate interests	% of the Company's issued voting shares <small>Note 1</small>
	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares		
Mr. Ho Lien Hwai <small>Note 2</small>	-	-	360,000,000	360,000,000	-	360,000,000	75.00%
Mr. Lim Shi Min <small>Note 3</small>	-	-	360,000,000	360,000,000	-	360,000,000	75.00%

Notes:

1. The percentage is calculated on the basis of the total number of issued shares of the Company as at 7 November 2018, i.e. the date of listing of the Company.
2. The entire issued share capital of Bizstar Global Limited ("Bizstar Global") is legally and beneficially owned as to 70% by Mr. Ho. Lien Hwai ("Mr. Ho"). Accordingly, Mr. Ho is deemed to be interested in 360,000,000 shares of the Company held by Bizstar Global by virtue of the SFO. Mr. Ho is an executive Director.
3. The entire issued share capital of Bizstar Global is legally and beneficially owned as to 30% by Mr. Lim Shi Min ("Mr. Lim"). Accordingly, Mr. Lim is deemed to be interested in 360,000,000 shares of the Company held by Bizstar Global by virtue of the SFO. Mr. Lim is an executive Director.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(ii) Interests in the associated corporation

Name of directors	Name of associated corporation	Capacity/Nature	No. of shares held	% of the issued voting shares of associate corporation
Mr. Ho	Bizstar Global	Beneficial interest in controlled corporation	7	70%
Mr. Lim	Bizstar Global	Beneficial interest in controlled corporation	3	30%

Save as disclosed above, as at 30 September 2018 and up to the date of this report, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The shares of the Company were listed on GEM of the Stock Exchange on 7 November 2018. As at 30 September 2018, there was no interest in the shares and underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Immediately following the completion of the share offer and the capitalisation issue of the Company, as at the date of this report, the following persons/entities (not being Directors or chief executive of our Company) have an interest or a short position in the Shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, were as follows:

Long position in the ordinary shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the Company's issued voting shares <small>Note 1</small>
Bizstar Global	Beneficial owner	360,000,000	75.00%
Ms. Yap Lay Kheng <small>Note 2</small>	Interest of spouse	360,000,000	75.00%
Ms. Kwan Yin Leng <small>Note 3</small>	Interest of spouse	360,000,000	75.00%

Notes:

1. The percentage is calculated on the basis of the total number of issued shares of the Company as at 7 November 2018, i.e. the date of listing of the Company.
2. Ms. Yap Lay Kheng is the spouse of Mr. Ho. Therefore, Ms. Yap Lay Kheng is deemed to be interested in all the shares held by Mr. Ho pursuant to the SFO.
3. Ms. Kwan Yin Leng is the spouse of Mr. Lim. Therefore, Ms. Kwan Yin Leng is deemed to be interested in all the shares held by Mr. Lim pursuant to the SFO.

Save as disclosed above, as at 30 September 2018 and up to the date of this report, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONFLICT OF INTERESTS

Saved as disclosed above, during the nine months ended 30 September 2018, none of the Directors, the substantial shareholders or the controlling shareholders (as defined under the GEM Listing Rules) of the Company or any of their respective associates (as defined under the GEM Listing Rules) has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group, and is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Listing Date and up to the date of this report, the Board considers that the Company has complied with all the provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules with the exception of Code Provision A.2.1, which requires the roles of chairman and chief executive be different individuals. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ho Lien Hwai (“Mr. Ho”) currently holds both positions. Since establishment of the Group in 2002, Mr. Ho has been the key leadership figure of the Group who has been deeply involved in the formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group’s operations as he directly supervises the Directors (other than himself) and members of our senior management. Taking into account the continuation of the implementation of our business plans, the Directors (including the independent non-executive Directors) consider Mr. Ho the best candidate for both positions and the present arrangements are beneficial to and in the interests of our Company and our shareholders as a whole.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS’ SECURITIES TRANSACTIONS

On 4 October 2018, the Company has adopted the Code of Ethics and Securities Transactions (the “Model Code”) on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.68 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company since the Listing Date and up to the date of this report.

The Board has also adopted the Model Code to regulate all dealings in securities of the Company by relevant employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance with the Model Code by the Company’s relevant employees has been noted since the Listing Date and up to the date of this report after making reasonable enquiry.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As shares of the Company were first listed on GEM of the Stock Exchange on 7 November 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2018 and up to the date of this report.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Fortune Financial Capital Limited to be the compliance adviser. As notified by Fortune Financial Capital Limited, compliance adviser of the Company, neither Fortune Financial Capital Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Fortune Financial Capital Limited had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2018 and as at the date of this report.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENT

The memorandum of association and the articles of association of the Company were initially adopted before the Listing Date.

Subsequent to the period ended 30 September 2018 and on 4 October 2018, the Company has adopted the amended and restated memorandum of association and articles of association of the Company, a consolidated version of the Company's constitutional documents is available on the website of the Stock Exchange at <http://www.hkgem.com> and the Company's website at www.honindustries.com.sg.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed above and subsequent to 30 September 2018, the following significant events took place:

- (i) On 1 October 2018, Mr. Ho Lien Hwai ("Mr. Ho"), Mr. Lim Shi Min ("Mr. Lim"), Energy Turbo Limited ("Energy Turbo") and the Company entered into a sale and purchase agreement, pursuant to which Mr. Ho and Mr. Lim transferred their entire interests in the issued share capital of Hon Industries Pte. Ltd. to Energy Turbo in consideration of the Company allotting and issuing 99 shares to Bizstar Global Limited, credited as fully paid.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (ii) On 4 October 2018, the Company has approved the issuance of 359,999,900 shares standing to the credit of the share premium of the Company conditional upon the share premium account of the Company being credited as a result of the allotment and issue of the shares of the Company under the capitalisation issue, details are set out in Appendix V to the Prospectus.
- (iii) The Company has conditionally approved and adopted the share option scheme (“Share Option Scheme”) on 4 October 2018. Summaries of the principal terms of the Share Option Scheme are set out in the section headed “Statutory and General Information — 13. Share Option Scheme” in Appendix V to the Prospectus.
- (iv) On 4 October 2018, the authorised share capital of the Company increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares which rank pari passu in all respects with the existing shares.
- (v) On 7 November 2018, the Company’s total number of ordinary shares, which are issued and fully paid, increased to 480,000,000 shares by issuing 479,999,900 new shares comprising 359,999,900 shares arising from the capitalisation issue and 120,000,000 shares from public offer. The 120,000,000 ordinary Shares from public offer, with a par value of HK\$0.01 each, were issued at a price of HK\$0.50 each. On the same date, the issued shares were successfully listed on GEM of the Stock Exchange. The listing of the Company strengthens the Group’s market position in the building and construction industry in Singapore, enhance our credibility and visibility in the building and construction industry in Singapore, where a publicly-listed contractor would be viewed as one with higher standards of corporate governance and financial disclosure, which strengthen our competitiveness against our competitors.
- (vi) On 2 November 2018, the Group has secured one newly awarded term contract in public sector with an initial contract sum of approximately S\$14.8 million. The contract is to provide services and maintenance work at a university for a period of three years. It is expected to commence in April 2019 and to complete in March 2022, and at customer’s option to extend for another two years from 1 April 2022 to 31 March 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

USE OF PROCEEDS FROM THE LISTING

On 7 November 2018, the shares of the Company were listed on GEM by way of share offer. The Group intends to apply the proceeds from the Listing in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The gross proceeds from the Listing were approximately HK\$60.0 million (approximately S\$10.3 million). As at 30 September 2018 and up to the date of this report, the Company has not yet utilised the proceeds from the Listing as per plans as set out in the Prospectus.

As set out in the Prospectus, the business objectives and strategies of the Group are (i) expanding our business and strengthening our market position in the building and construction industry in Singapore through purchase of machineries and equipment, (ii) expanding and enhancing our workforce and improving productivity through the purchase of additional software and staff training, and (iii) reconfiguring our current properties and renting additional office space to keep up with our business expansion.

AUDIT COMMITTEE

The Company established an audit committee on 4 October 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraphs C3.3 and C3.7 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises three independent non-executive Directors: Mr. Lau Wang Lap (chairman), Mr. Ng Chye Kim and Mr. Chan Shun Yin. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the risk management and internal control systems of the Company.

The Group’s unaudited condensed combined third quarterly results for the nine months ended 30 September 2018 have not been audited by the Company’s auditor, but have been reviewed by the audit committee.

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our valued customers, subcontractors, business partners, and shareholders for their persistent support, while also expressing my appreciation to the management team and employees for their valuable contribution to the development of the Group.

By Order of the Board
Hon Corporation Limited
Ho Lien Hwai

Chairman, Executive Director and Chief Executive Officer

The Republic of Singapore,
12 November 2018