

HON CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8259

First Quarterly Report
2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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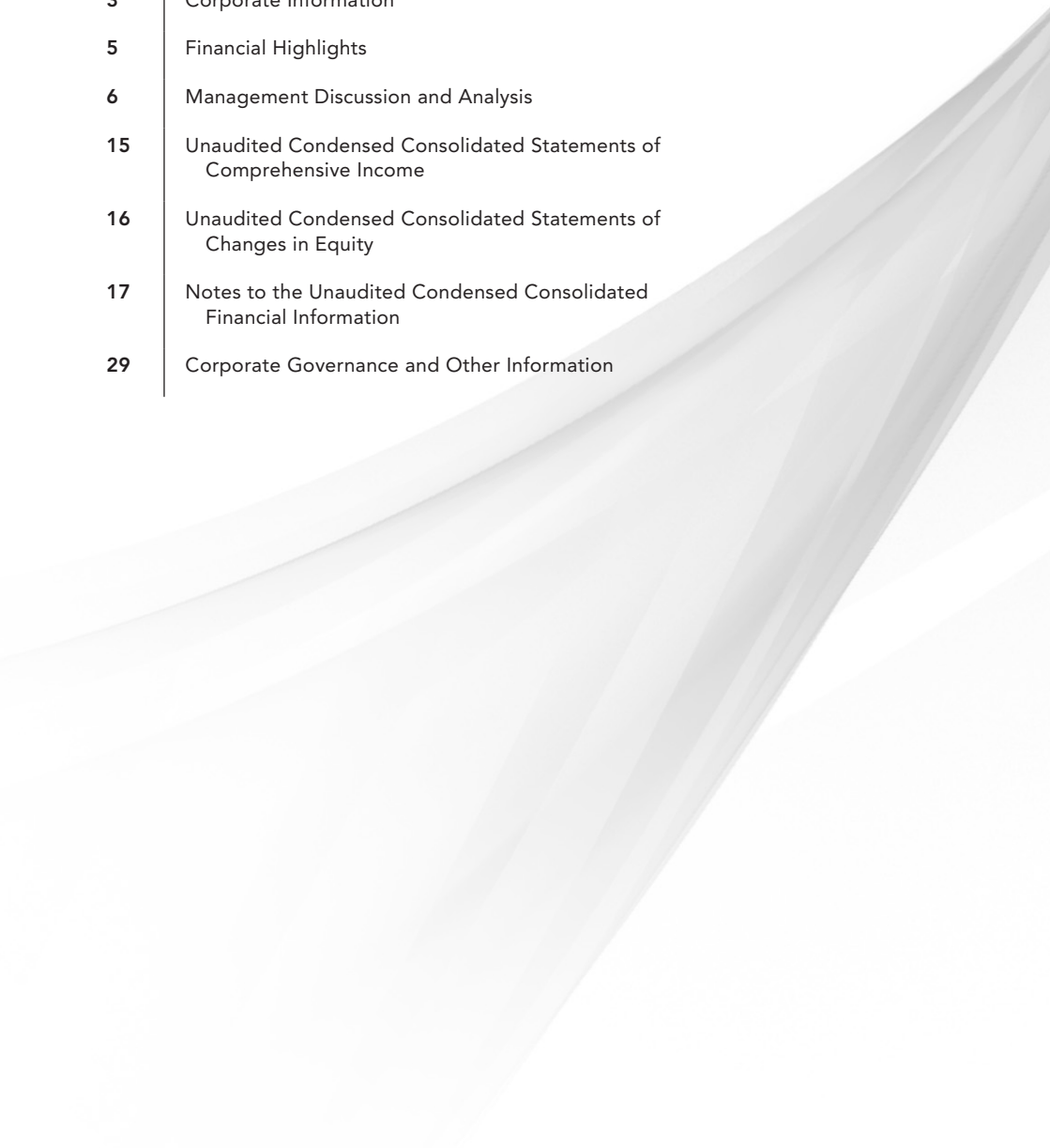
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This report, for which the directors (the “Directors”) of Hon Corporation Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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

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CORPORATE INFORMATION

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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

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STOCK CODE

8259

COMPANY WEBSITE

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FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 27.2% to approximately S\$21.1 million for the three months ended 31 March 2019 from approximately S\$29.0 million for the three months ended 31 March 2018.

Gross profit decreased by approximately 43.3% to approximately S\$1.7 million for the three months ended 31 March 2019 from approximately S\$3.0 million for the three months ended 31 March 2018. The gross profit margin decreased by approximately 2.1% to approximately 8.1% for the three months ended 31 March 2019 from approximately 10.2% for the three months ended 31 March 2018.

Profit attributable to the equity holders of the Company for the three months ended 31 March 2019 was approximately S\$14,000, representing an increase of approximately S\$356,000 from a loss attributable to the equity holders of the Company of approximately S\$342,000 for the three months ended 31 March 2018. Excluding the one-off listing expenses of approximately S\$1,627,000 incurred during the three months ended 31 March 2018, the adjusted profit attributable to equity holders of the Company for the three months ended 31 March 2018 would be approximately S\$1,285,000, representing a decrease of approximately S\$1,271,000 or approximately 98.9% as compared to that for the three months ended 31 March 2019.

Earnings per share for the three months ended 31 March 2019 was approximately S\$0.003 cents as compared with the loss per share of approximately S\$0.095 cents for the three months ended 31 March 2018.

The Board has resolved not to declare any interim dividend for the three months ended 31 March 2019 (31 March 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

It was a challenging period immediately subsequent to the 2018 financial year to the Group as the construction industry of Singapore deteriorated significantly with the continuous weakness of the construction demand. According to the Ministry of Trade and Industry, the contraction was primarily due to weakness in public sector construction activities. The Group maintained firm determination to stride through the arduous situation for the three months ended 31 March 2019.

BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group has remained unchanged during the three months ended 31 March 2019. 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.

Our business strategies remained unchanged. To stay abreast of the competitive environment for the three months ended 31 March 2019, the management has continuously consolidated and strengthened the reputation of the Group through submission of tenders invitation to keep our presence in the market. More importantly, the Group emphasised the retention of its experienced employees and the development of the competency of its project team in order to capitalise on any opportunities that may arise. The management will take prudent measures to control the operating costs and improve the efficiency of our business operations to keep the Group competitive in the deteriorating construction market in Singapore.

Looking forward, the management expects the Singapore construction market to remain volatile especially given that Singapore's economy is fairly exposed to the health of global economy. Leveraging our competitive advantages in the building and construction industry, the Group will continue to persist in its participation in new project tenders in order to secure more projects and to remain competitive and actively involved in the local construction market. In addition, the management will carefully evaluate the potential costs and make continuous effort to improve the profitability as well as simultaneously to take prudent measures so as to increase shareholders' return.

ONGOING PROJECTS

As at 31 March 2019, the Group had nine ongoing building and infrastructure projects, two interior decoration projects, and seven term contracts with an aggregate contract sum of approximately S\$382.5 million, of which approximately S\$217.6 million has been recognised as revenue as at 31 March 2019. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

MANAGEMENT DISCUSSION AND ANALYSIS

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 31 March 2019. Details of the ongoing projects as at 31 March 2019 are as follows:

Sector	Project name	Scope of work	Contract sum S\$ million
Private	Project International School	Building and infrastructure — proposed erection of new international school building	83.6
Public	Project Park	Building and infrastructure — proposed development of public park	73.2
Public	Project Residential	Building and infrastructure — proposed construction and modification of electrical substations and common switch rooms	6.8
Public	Project Housing	Building and infrastructure — proposed upgrading and contingency works for residential project	21.9
Public	Project Education	Term contract — renovations and A&A works to facilities	21.1
Public	Project Government Centre	Term contract — A&A works and maintenance works	44.4
Public	Project Committee Centre	Term contract — upgrading and extension works to committee centres	2.0
Public	Project Park Connector	Term contract — upgrading works in park connectors	8.7
Private	Project Clubhouse	Building and infrastructure — proposed A&A works	4.4

MANAGEMENT DISCUSSION AND ANALYSIS

Sector	Project name	Scope of work	Contract sum S\$ million
Private	Project Workshop	Building and infrastructure — proposed development of existing building and addition of two-storey workshop	6.6
Public	Project Community Club	Term contract — servicing and maintenance works at community club	0.9
Public	Project Polytechnic	Interior decoration — proposed A&A works to existing block and convention centre	5.9
Public	Project Upgrading	Term contract — upgrading works for parks, open spaces and park connectors	15.5
Public	Project University	Term contract — building services and maintenance works	14.8
Private	Project Church	Building and infrastructure — proposed A&A works to existing building	7.4
Private	Project Hotel ^(Note 1)	Building and infrastructure — proposed A&A works for change of use to existing commercial building to hotel	17.5
Public	Project Government ^(Note 1)	Building and infrastructure — construction of reinforced concrete building, steel structure and ancillary works	46.2
Private	Project Private Residential ^(Note 1)	Interior decoration – proposed A&A works to existing detached dwelling house with basement	1.6

Note 1 Newly awarded projects during the three months ended 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

NEWLY AWARDED PROJECTS

During the three months ended 31 March 2019, the Group had secured three new projects, namely Project Hotel, Project Government and Project Private Residential. Details of the projects are included in the table sets forth our ongoing projects as at 31 March 2019 above.

In addition, subsequent to 31 March 2019 and up to the date of this report, the Group had secured a building and infrastructure project in private sector for proposed erection of strata landed housing development with an initial contract sum of approximately S\$13.3 million. The project is expected to commence in second quarter of 2019 and is expected to complete in August 2020.

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 three months ended 31 March 2019 and 2018:

	For the three months ended 31 March					
	2019			2018		
	Number of projects/contracts	Revenue (\$'000)	% of revenue (%)	Number of projects/contracts	Revenue (\$'000)	% of revenue (%)
Building and infrastructure projects	9	11,709	55%	4	18,675	64%
Interior decoration projects	2	2,478	12%	2	2,827	10%
Term contracts	7	6,876	33%	4	7,513	26%
	18	21,063	100%	10	29,015	100%

Revenue decreased by approximately 27.2% to approximately S\$21.1 million for the three months ended 31 March 2019 from approximately S\$29.0 million for the three months ended 31 March 2018. The decrease in our revenue was mainly attributable to:

- (i) Decrease in revenue due to the substantial completion of a major building and infrastructure project, Project International School, during the third quarter of the financial year ended 31 December 2018; and

MANAGEMENT DISCUSSION AND ANALYSIS

- (ii) Minimal recognition of revenue from two newly awarded major building and infrastructure projects during the three months ended 31 March 2019 with an aggregate contract sum of approximately S\$63.7 million due to the commencement of works in February and March 2019, respectively.

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 three months ended 31 March 2019 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\$19.4 million for the three months ended 31 March 2019, representing a decrease of approximately 25.7% over the correspondence period of the previous year, which was generally in line with our decrease in revenue during the three months ended 31 March 2019.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately S\$1.3 million or approximately 43.3%, from approximately S\$3.0 million for the three months ended 31 March 2018 to approximately S\$1.7 million for the three months ended 31 March 2019. The gross profit margin decreased by approximately 2.1% to approximately 8.1% for the three months ended 31 March 2019 from approximately 10.2% for the three months ended 31 March 2018. The decrease in gross profit margin was mainly due to lower gross profit in average generated from our new contracts secured under intense market competition in the building and construction industry in Singapore.

Other Income

The other income of the Group decreased by approximately S\$162,000 or 75% from approximately S\$216,000 for the three months ended 31 March 2018 to approximately S\$54,000 for the three months ended 31 March 2019. The decrease was mainly due to decrease in sales of scrap metal by approximately S\$121,000 during the three months ended 31 March 2019.

Other Gains or Losses

The other gains or losses of the Group comprised mainly allowance for credit losses on trade receivables and loss on disposal of property, plant and equipment. The other losses of the Group decreased by approximately S\$120,000 or 84.5% from approximately S\$142,000 for the three months 31 March 2018 to approximately S\$22,000 for the three months ended 31 March 2019. The decrease was mainly due to allowance for credit loss on trade receivables recognised for the three month ended 31 March 2018 while none was recognised for the three month ended 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The administrative expenses of the Group, mainly comprised of staff cost, rental expenses and professional and compliance fees, etc. The administrative expenses of the Group decreased by approximately S\$1.5 million or approximately 50.0% from approximately S\$3.0 million for the three months ended 31 March 2018 to approximately S\$1.5 million for the three months ended 31 March 2019. The decrease was mainly attributable to the one-off listing expenses of approximately S\$1.6 million incurred during the three months ended 31 March 2018, in relation to the Company's listing on GEM of the Stock Exchange on 7 November 2018.

Finance Costs

The finance costs of the Group comprised mainly interest expenses on borrowings and bills payables from bank and financial institutions and finance leases for certain motor vehicles, plant and machinery and office equipment. The finance costs of the Group increased by approximately S\$35,000 or approximately 20% from approximately S\$175,000 for the three months ended 31 March 2018 to approximately S\$210,000 for the three months ended 31 March 2019. The increase was mainly due to higher utilization of bills payables during the three months ended 31 March 2019 to finance payments to our subcontractors on a completed project.

Income Tax Expenses

The income tax expenses of the Group decreased from approximately S\$252,000 for the three months ended 31 March 2018 to approximately S\$13,000 for the three months ended 31 March 2019. The decrease was mainly due to the decrease in assessable profits.

Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company for the three months ended 31 March 2019 was approximately S\$14,000, representing an increase of approximately S\$356,000 from a loss attributable to the equity holders of the Company of approximately S\$342,000 for the three months ended 31 March 2018. Excluding the one-off listing expenses of approximately S\$1,627,000 incurred during the three months ended 31 March 2018, the adjusted profit attributable to equity holders of the Company for the three months ended 31 March 2018 would be approximately S\$1,285,000, representing a decrease of approximately S\$1,271,000 or approximately 98.9% as compared to that for the three months ended 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board has resolved not to declare any interim dividend for the three months ended 31 March 2019 (31 March 2018: Nil).

Liquidity and Financial Resources

The Group practised prudent financial management and maintained a strong and sound financial position as at 31 March 2019. The Group finances its daily operations through a combination of internally-generated funds from operations, borrowing and net proceeds from the share offer. As at 31 March 2019, the Group had cash and cash equivalents of approximately S\$9.2 million (31 December 2018: approximately S\$5.0 million). The increase in cash and cash equivalents was mainly attributable to prompt settlement of trade receivables during the three month ended 31 March 2019.

The total interest-bearing borrowings, including bank overdraft, bank borrowings, bills payables, and obligations under finance leases was approximately S\$20.9 million (31 December 2018: approximately S\$19.7 million). The current ratio, being the ratio of current assets to current liabilities was approximately 1.2 times as at 31 March 2019 (31 December 2018: approximately 1.2 time). As at 31 March 2019, the gearing ratio of the Group was 1.0 times (31 December 2018: 0.9 times). The gearing ratio is calculated as total debts (borrowings, finance lease obligations, and bills payables) divided by total equity.

Pledge of Assets

As at 31 March 2019,

- (a) the Group had pledged bank fixed deposits of approximately S\$3.3 million (31 December 2018: S\$0.8 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\$12.2 million (31 December 2018: S\$12.3 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\$2.2 million (31 December 2018: S\$1.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

For the three months ended 31 March 2019, 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.

The Group retains insignificant amount of net proceeds from the share offer denominated in Hong Kong dollars that are minimal exposure to foreign exchange rate risks.

The Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the three months ended 31 March 2019, 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 of its cash and cash equivalents, cash flows generated from operations, bank facilities, net proceeds from the share offer.

Contingent Liabilities

As at 31 March 2019, the Group had an outstanding performance bond for construction contracts amounted to approximately S\$19.9 million (31 December 2018: S\$14.6 million). The performance bonds are secured by personal guarantees given by the certain Directors and released when the construction contracts are practically completed. The Company is in the progress to release and replace all personal guarantee provided by Directors in relation to the performance bonds with corporate guarantee, which is expected to complete in 2019.

As at 31 March 2019, the Group was involved in a legal proceeding against the Group in respect of a dispute with our subcontractor for outstanding payment in respect of works performed at our Project International School, for which proceedings are still ongoing and settlement has not been reached as at the date of this report. Based on the advice from 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\$72,000, being the total liquidated damages claimed by that subcontractor.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, as the date of this report, the Group was involved in another legal proceeding (the "Proceedings") against the Group in respect of an industrial accident with injury claimed by the subcontractor's employee in respect of works performed at our Project Government Centre, for which Proceedings are still ongoing and settlement has not been reached as at the date of this report. However, as the claim will be covered by insurance, the Group has no exposure to the proceeding claimed by the subcontractor's employee.

Save as disclosed above and as at 31 March 2019, the Group did not have any other material contingent liabilities (31 December 2018: S\$Nil).

Commitments

As at 31 March 2019,

- (a) the Group had no capital commitment (31 December 2018: S\$0.3 million);
- (b) the Group had operating lease commitment amounted to approximately S\$281,000 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 2018: S\$307,000). However the commitment has been accounted for in accordance to IFRS 16 Lease with effect from 1 January 2019 as right-of-use assets and its corresponding liability as lease liability ; and
- (c) the Group had future minimum rent income receivable under contracts with tenants amounted to approximately S\$38,000 in relation to the Group's properties held with committed tenants for the next 9 months (31 December 2018: S\$51,000).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the three months ended 31 March 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

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 three months ended 31 March 2019.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 22 October 2018, the Group did not have other plans for material investment or capital assets as at 31 March 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended 31 March 2019

RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated first quarterly results of the Group for the three months ended 31 March 2019 (the "Reporting Period"), together with the unaudited comparative figures for the corresponding period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Notes	For the three months ended 31 March	
		2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Revenue	3	21,063	29,015
Cost of services		(19,354)	(26,050)
Gross profit		1,709	2,965
Other income	4	54	216
Other gains or losses	5	(22)	(142)
Administrative expenses		(1,504)	(2,954)
Finance costs	6	(210)	(175)
Profit (loss) before taxation		27	(90)
Income tax expense	7	(13)	(252)
Profit (loss) and total comprehensive income (expense) for the period	8	14	(342)
Earnings (losses) per share			
Basic and diluted (in SGD cents)	9	0.003	(0.095)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Attributable to owners of the Company						Non-controlling interests S\$'000	Total S\$'000
	Share capital S\$'000	Share premium S\$'000	Merger reserve S\$'000	Revaluation reserve S\$'000	Retained earnings S\$'000	Sub-total S\$'000		
At 1 January 2018 (Audited)	6,500	-	-	2,672	1,748	10,920	-	10,920
Profit (loss) and total comprehensive income (expenses) for the period	-	-	-	-	(342)	(342)	-	(342)
At 31 March 2018 (Unaudited)	6,500	-	-	2,672	1,406	10,578	-	10,578
At 1 January 2019 (Audited)	846	7,722	6,500	3,042	2,933	21,043	-	21,043
Profit (loss) and total comprehensive income (expenses) for the period	-	-	-	-	14	14	-	14
At 31 March 2019 (Unaudited)	846	7,722	6,500	3,042	2,947	21,057	-	21,057

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 financial information are presented in Singapore Dollars ("S\$"), which is also the functional currency of the Company.

The unaudited condensed consolidated financial information was approved by the Board of the Directors of the Company on 9 May 2019.

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 consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated 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 CONSOLIDATED FINANCIAL INFORMATION

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

The unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2019, together with the unaudited comparative figures for the corresponding period in 2018 (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.

New and amendments to IFRSs that are mandatorily effective for the three months ended 31 March 2019

At the date of this report, the Group has applied the following new and amendments to IFRSs that have been issued for the first time for the three months ended 31 March 2019:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures

The application of the new and amendments to IFRSs and Interpretations in the current period has no material impact on the Group's financial performance and positions for the current period and/or on the disclosures set out in these consolidated financial statements, except as noted below:

IFRS 16 Leases

The Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018 and 2019, except that the Group adopted IFRS 16 Leases on 1 January 2019 and International Accounting Standards ("IAS") 17 Leases during the period ended 31 March 2018. Upon application of IFRS 16, the Group recognised a right-of-use asset and a corresponding liability in respect of all the leases as a lessee. In addition, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows, respectively by the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

New and amendments to IFRSs in issue but no yet effective

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 17	Insurance Contracts ²
Amendments to IFRS 3	Definition of a Business ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 1 and IAS 8	Definition of Material ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁴ Effective for annual periods beginning on or after 1 January 2020.

The Directors of the Company anticipate that the application of the other new and amendments to IFRSs will have no material impact on the consolidated financial statements of the Group in the future.

The Financial Information should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2018 in the 2018 Annual Report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. REVENUE AND SEGMENTAL INFORMATION

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 31 March	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Project works for:		
Building and infrastructure	11,709	18,675
Interior decoration	2,478	2,827
Term contracts	6,876	7,513
	21,063	29,015

Revenue are derived from the below customers:

	For the three months ended 31 March	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Government and governmental bodies	19,414	18,274
Private companies	1,649	10,741
	21,063	29,015

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 31 March 2019, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S\$164.9 million (31 December 2018: S\$111.9 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 31 March	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Customer A	N/A ¹	9,342
Customer B	9,387	11,794
Customer C	2,495	3,475
Customer D	3,725	N/A ¹
Customer E	2,478	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 CONSOLIDATED FINANCIAL INFORMATION

4. OTHER INCOME

	For the three months ended 31 March	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Government grant and subsidies ^(a)	14	33
Engineering service income	–	–
Rental income	30	51
Sales of scrap metal	8	129
Sundry income	2	3
	54	216

- (a) 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 CONSOLIDATED FINANCIAL INFORMATION

5. OTHER GAINS OR LOSSES

	For the three months ended 31 March	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Allowance for credit losses on trade receivables	–	(142)
Loss on disposal of property, plant and equipment	(22)	–
Compensation expenses ⁽ⁱ⁾	–	(1,094)
Compensation income from insurance company ⁽ⁱⁱ⁾	–	1,094
	(22)	(142)

(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 31 March	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Interest on:		
Bank borrowings	36	38
Bills payables	153	117
Finance leases	14	17
Bank overdrafts	7	3
	210	175

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Continuing operations		
Tax expense comprises:		
Current Tax		
— Singapore corporate income tax ("CIT")	13	238
Deferred tax	—	14
	13	252

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 20% capped at S\$10,000 for year of assessment ("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 for YA 2019 and adjusted to 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$190,000 of normal chargeable income for YA 2020.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8. PROFIT FOR THE PERIOD

	For the three months ended 31 March	
	2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Continuing operations		
Profit for the period has been arrived at after charging/(crediting):		
Directors' emoluments		
Salaries, allowances and other benefits	255	222
Retirement benefit scheme contributions	9	9
	264	231
Other staff costs		
Salaries, wages and other benefits	1,415	1,991
Retirement benefits scheme contributions	63	89
	1,478	2,080
Total staff costs	1,742	2,311
Audit fees paid to auditors of the Company:		
— Annual audit fees	34	23
— Audit fees in connection with the listing of the Company	—	112
Audit fees paid to member firm of the auditors of the Company:		
— Audit fees in connection with the listing of the Company	—	113
Depreciation of property, plant and equipment	305	315
Loss on disposals of property, plant and equipment	22	—
Cost of materials recognised as expenses	428	3,760
Subcontractor costs recognised as expenses	17,193	18,398
Gross rental income from investment properties ^(a)	—	(5)
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	—	3
	—	(2)
Allowance for credit losses on 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 CONSOLIDATED FINANCIAL INFORMATION

9. EARNINGS (LOSS) PER SHARE

	Three months 31 March	
	2019	2018
Profit (loss) attributable to the owners of the Company	S\$14,000	(\$334,000)
Weighted average number of ordinary shares in issue	480,000,000	360,000,000
Basic and diluted earnings (losses) per share (\$ cents)	0.003	(0.095)

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of calculating basic losses per share for the three months ended 31 March 2018 is based on 360,000,000 shares, which were issued pursuant to the Group Reorganisation, excluding non-controlling shareholder's interest, and deemed to have been issued since 1 January 2018.

Diluted earnings per share is the same as the basic earnings per share because the Group has no dilutive securities that are convertible into shares during the three months ended 31 March 2019 and 2018.

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 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 three months ended 31 March 2018, GK Development did not contribute any material revenue, profit or loss to the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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
<hr/>	
Asset	
Cash and cash equivalent	125
Liability	
Trade and other payables	<u>1</u>
Net asset derecognised	124
Cash consideration received	<u>(124)</u>
Gain on disposal	<u><u>-</u></u>

11. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the three months ended 31 March 2019 and 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12. CONNECTED PARTY TRANSACTION

Name of connected party	Relationship	Nature of transaction	For the three months ended 31 March	
			2019 S\$'000 (Unaudited)	2018 S\$'000 (Unaudited)
Hilandas Property & Facilities Management Pte. Ltd.	Wholly-owned by the spouse of Mr. Ho	Sub-contracting services paid	-	-
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
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	-	37
City Garden Pte. Ltd.	Owned as to 71.19% by Mr. Lim Beng Keong, the cousin of Mr. Lim	Sub-contracting services paid	-	24

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 Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption to 3 October 2028, after which period no further options will be granted or offered.

Pursuant to a Share Option Scheme, the Company may grant options to eligible directors of the Group, eligible employees of the Group and other selected participants, for the recognition of their contributions, to subscribe for shares in the Company with a payment of HK\$1 upon each grant of options offered.

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, namely any directors, employees, consultants, advisers, any provider of goods and/or service, and any customers of the Group, 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 exercise price of the share option will be not less than the highest of:

- (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotation sheet on the date (the “Offer Date”) of grant of the particular option, which must be a business day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheet for the five business days immediately preceding the Offer Date of the option; and
- (iii) the nominal value of a Share on the Offer Date.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the Board of Directors.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Share Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of Company.

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 31 March 2019, 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 three months ended 31 March 2019 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 31 March 2019, 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	Personal interests	Family interests	Corporate interests	Interests in ordinary shares			% of the Company's issued voting shares
				Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	
Mr. Ho Lien Hwai ^{Note 1}	-	-	360,000,000	360,000,000	-	360,000,000	75.00%
Mr. Lim Shi Min ^{Note 2}	-	-	360,000,000	360,000,000	-	360,000,000	75.00%

Notes:

- 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 of the Company.
- 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 of the Company.

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 31 March 2019, 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

As at 31 March 2019, 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
Bizstar Global	Beneficial owner	360,000,000	75.00%
Ms. Yap Lay Kheng ^{Note 1}	Interest of spouse	360,000,000	75.00%
Ms. Kwan Yin Leng ^{Note 2}	Interest of spouse	360,000,000	75.00%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. 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.
2. 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 31 March 2019, 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.

NON-COMPETITION UNDERTAKING

Mr. Ho Lien Hwai, Mr. Lim Shi Min and Bizstar Global Limited (the “Covenantors”, each a “Covenantor”) have entered into the deed of non-competition (the “Deed of Non-competition”) dated 4 October 2018 in favour of our Company, under which each of them has irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company that they will not, and will procure any Covenantor and his/its close associates (each a “Controlled Person” and collectively, the “Controlled Persons”) and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) (the “Controlled Company”) not to, except through any member of our Group, directly or indirectly (whether on its own account or with each other or in conjunction with or on behalf of any person or company, or as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward or otherwise) any business that is similar to or in competition with or is likely to be in competition directly or indirectly with any business carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in any territory that our Group carries on our business from time to time.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CONFLICT OF INTERESTS

Saved as disclosed above, during the three months ended 31 March 2019, 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 close 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

During the three months ended 31 March 2019, 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

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 during the three months ended 31 March 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 during the three months ended 31 March 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2019.

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 31 March 2019.

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 terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

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 consolidated first quarterly results for the three months ended 31 March 2019 have not been audited by the Company's auditor, but have been reviewed by the audit committee. The audit committee has also reviewed the accounting principles and practices adopted by the Group and discussed with management regarding the financial report matters.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES IN CONSTITUTIONAL DOCUMENT

Pursuant to 17.102 of GEM Listing Rules, the Company has published on the websites of the Company at www.honindustries.com.sg and the Stock Exchange its amended and restated memorandum of association and the articles of association. During the three months ended 31 March 2019, there has been no changes in the constitutional documents of the Company.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

There was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the three months ended 31 March 2019.

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

Hong Kong, 9 May 2019