

HON CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8259



2020

FIRST QUARTERLY REPORT

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

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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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EXECUTIVE DIRECTORS

Mr. Ho Lien Hwai* (*Chief Executive Officer*)
Ms. Teng Ley Peng
Mr. Lim Shi Min
(*resigned on 10 January 2020*)

* ceased to be Chairman on 10 January 2020

NON-EXECUTIVE DIRECTORS

Mr. Toh Hock Ghim (*Chairman*)
(*appointed on 10 January 2020*)
Mr. Luo Jiakun
(*appointed on 22 April 2020*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Wang Lap
Ms. Luk Huen Ling Claire
Mr. Mahtani Bhagwandas
(*appointed on 23 January 2020*)
Mr. Ong Kim Huat
(*appointed on 23 January 2020*)
Mr. Ng Chye Kim
(*resigned on 23 January 2020*)

AUDIT COMMITTEE

Mr. Lau Wang Lap (*Chairman*)
Mr. Mahtani Bhagwandas
(*appointed on 23 January 2020*)
Mr. Ong Kim Huat
(*appointed on 23 January 2020*)
Ms. Luk Huen Ling Claire
(*resigned on 23 January 2020*)
Mr. Ng Chye Kim
(*resigned on 23 January 2020*)

REMUNERATION COMMITTEE

Mr. Mahtani Bhagwandas (*Chairman*)
(*appointed on 23 January 2020*)
Mr. Ong Kim Huat
(*appointed on 23 January 2020*)
Ms. Luk Huen Ling Claire
Mr. Ng Chye Kim
(*resigned on 23 January 2020*)
Mr. Ho Lien Hwai
(*resigned on 23 January 2020*)

NOMINATION COMMITTEE

Mr. Ong Kim Huat (*Chairman*)
(*appointed on 23 January 2020*)
Mr. Mahtani Bhagwandas
(*appointed on 23 January 2020*)
Ms. Luk Huen Ling Claire
Ms. Teng Ley Peng
(*resigned on 23 January 2020*)
Mr. Lau Wang Lap
(*resigned on 23 January 2020*)

COMPANY SECRETARY

Mr. Ng Chit Sing

AUTHORIZED REPRESENTATIVES

Mr. Ho Lien Hwai
Mr. Ng Chit Sing

COMPLIANCE OFFICER

Mr. Ho Lien Hwai

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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Singapore 567761

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong



CORPORATE INFORMATION

INDEPENDENT AUDITORS

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#33-00
Singapore 068809

COMPLIANCE ADVISER

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Units 4301-8 & 13
43/F, COSCO Tower
183 Queen's Road Central
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LEGAL ADVISERS

Robertsons
Room 5705, 57th Floor
The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

DBS Bank Limited
12 Marina Boulevard Level 3
Marina Bay Financial Centre Tower 3
Singapore 018982

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
148 Electric Road
North Point
Hong Kong
(appoint on 1 April 2020)

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
(cease on 1 April 2020)

STOCK CODE

8259

COMPANY WEBSITE

www.honindustries.com.sg

FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 39.8% to approximately S\$12.7 million for the three months ended 31 March 2020 from approximately S\$21.1 million for the three months ended 31 March 2019.

Gross profit decreased by approximately 72.4% to approximately S\$470,000 for the three months ended 31 March 2020 from approximately S\$1.7 million for the three months ended 31 March 2019. The gross profit margin decreased by approximately 4.4% to approximately 3.7% for the three months ended 31 March 2020 from approximately 8.1% for the three months ended 31 March 2019.

Loss attributable to the equity holders of the Company for the three months ended 31 March 2020 amounted to approximately S\$980,000, representing a decrease of approximately S\$1.0 million from profit attributable to the equity holders of the Company of approximately S\$14,000 for the three months ended 31 March 2019.

Loss per share for the three months ended 31 March 2020 was approximately S\$0.186 cents as compared with earnings per share for the three months ended 31 March 2019 of approximately S\$0.003 cents.

The Board has resolved not to declare any interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

SINGAPORE'S construction sector is poised to take a hard hit from the COVID-19 outbreak in the short-term, view is informed by the government's decision to temporarily suspend all construction work as part of tighter measures to curb COVID-19 transmission, following the spike in the number of confirmed COVID-19 cases in various dormitories housing construction workers.

The Business Times quoting Selena Ling, OCBC Bank Chief Economist, reported that "A double-digit on-year contraction is expected in Q2, 2020 and may extend for the full year should the one-month circuit breaker be extended". This statement summarizes the challenges the construction industry will be facing moving on in the year 2020.

BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group has remained unchanged for the three months ended 31 March 2020. The Group's operations are located in Singapore and our revenue from operation are solely derived from services rendered within Singapore. The Group is actively involved as main contractor in both private and public sector projects which include institutional, industry, commercial and residential project. 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. For the first quarter ended 31 March 2020, projects have been delayed since the start of the COVID-19 outbreak near the end of January 2020. In view of the evolving COVID-19 situation, the Group's financial performance has been impacted by the uncertain operating environment.

During this economic tsunami hitting Singapore shores, the Group is constantly assessing its operational and financial impact as overheads include building and equipment rentals, workers' salaries as well as essential items like food and masks — costs that continue to add up even as construction sites remain at a standstill. Despite strong government support, the impact of the COVID-19 has gone beyond just reliefs.

As the effects of COVID-19 are felt around the world which is still evolving rapidly, construction projects could be delayed months. The continual test in dormitories will retard the availability of the work force and disruption of materials supply causing the recovery in the construction sector remain weak. Delays in the return of foreign workers as a result of the lockdowns in response to the COVID-19 outbreak have adversely affected the progress of all existing ongoing construction projects.

MANAGEMENT DISCUSSION AND ANALYSIS

We will continue to exercise prudence in our project management, taking practical steps and have strategies in place to improve the operating performance and financial position of the Group. Understanding the sector impact of COVID-19 by looking at the short-term stress and potential long-term impact from time to time during this evolving situation; combat with appropriate measures.

COMPLETED PROJECT

During the three months ended 31 March 2020, the Group had completed one project with an aggregated contract value of approximately S\$6.2 million.

ONGOING PROJECTS

As at 31 March 2020, the Group had eighteen ongoing projects, comprising ten building and infrastructure projects, one interior decoration project, and seven term contracts with an aggregate contract sum of approximately S\$209.2 million, of which approximately S\$117.4 million has been recognised as revenue as at 31 March 2020. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

Details of ongoing projects as at 31 March 2020 are as follows:

Sector	Project name	Scope of works	Contract sum S\$ million
Public	Project Residential	Building and infrastructure — proposed construction and modification of electrical substations and common switch rooms	6.9
Public	Project Housing	Building and infrastructure — proposed upgrading and contingency works for residential project	20.7
Public	Project Education	Term contract — renovations and A&A works to facilities	9.0
Public	Project Government Centre	Term contract — A&A works and maintenance works	28.6

MANAGEMENT DISCUSSION AND ANALYSIS

Sector	Project name	Scope of works	Contract sum S\$ million
Public	Project Committee Centre	Term contract — upgrading and extension works to committee centres	3.6
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
Private	Project Workshop	Building and infrastructure — proposed development of existing building and addition of two-storey workshop	3.7
Public	Project Community Club	Term contract — servicing and maintenance works at community club	0.9
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	7.0
Private	Project Hotel	Building and infrastructure — proposed A&A works for change of use to existing commercial building to hotel	17.5

MANAGEMENT DISCUSSION AND ANALYSIS

Sector	Project name	Scope of works	Contract sum S\$ million
Public	Project Government	Building and infrastructure — construction of reinforced concrete building, steel structure and ancillary works	47.0
Private	Project Private Residential 1	Interior decoration — proposed A&A works to existing detached dwelling house with basement	1.6
Private	Project Private Residential 2	Building and infrastructure — proposed erection of strata landed housing development	13.3
Public	Project Housing Development Board	Building and Infrastructure — Mechanical & Electrical Cyclical Improvement Works	5.5
Private	Project Social Care	Building and Infrastructure — Life Cycle Replacement of Domestic Water System	0.5

NEWLY AWARDED PROJECT

During the three months ended 31 March 2020, the Group has not secured any newly awarded project.

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 three months ended 31 March 2020 and 2019:

	For the three months ended 31 March					
	2020			2019		
	Number of projects/contracts	Revenue (\$'000)	% of revenue (%)	Number of projects/contracts	Revenue (\$'000)	% of revenue (%)
Building and infrastructure projects	10	8,477	67%	9	11,709	55%
Interior decoration projects	1	49	1%	2	2,478	12%
Term contracts	7	4,141	32%	7	6,876	33%
Total	18	12,667	100%	18	21,063	100%

Revenue of the Group for the three months ended 31 March 2020 amounted to approximately S\$12.7 million, representing a decrease of approximately 39.8% from approximately S\$21.1 million over the corresponding period of the previous year. The decrease in our revenue was mainly due to:

- (i) A substantial decrease in revenue from two major building and infrastructure projects as most of the construction works were completed in 2018 and 2019;
- (ii) Delays in the construction progress on some of the awarded projects; and
- (iii) There being no newly awarded project for the three months ended 31 March 2020.

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 for the three months ended 31 March 2020 amounted to approximately S\$12.2 million, representing a decrease of approximately 37.1% over the correspondence period of the previous year. Such decrease was generally in line with our decrease in revenue during the three months ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

The gross profit of the Group for the three months ended 31 March 2020 amounted to approximately S\$470,000, representing a decrease of approximately 72.4% from approximately S\$1.7 million over the corresponding period of the previous year.

The gross profit margin of the Group for the three months ended 31 March 2020 was 3.7%, representing a decrease of approximately 4.4 percent points from 8.1% over the corresponding period of the previous year. The decrease in our gross profit margin was mainly due to lower gross profit margins for the new projects in 2019 attributable to an increasing competition in the unfavourable building and construction industry in Singapore.

Other Income

The other income of the Group for the three months ended 31 March 2020 increased by approximately S\$556,000 from approximately S\$54,000 for the three months ended 31 March 2019 to approximately S\$610,000 for the three months ended 31 March 2020. The increase was mainly attributable to the compensation received from insurance claims for one of the projects for an amount of S\$550,000.

Other Gains or Losses

The Group has no other gains or losses of the Group for the three months ended 31 March 2020 (three months ended 31 March 2019: S\$22,000).

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 increased by approximately S\$0.3 million or approximately 20.0%, from approximately S\$1.5 million for the three months ended 31 March 2019 to approximately S\$1.8 million for the three months ended 31 March 2020. The increase was mainly attributable to an increase of approximately S\$0.2 million in staff cost and an increase of approximately S\$0.1 million in legal fee.

Finance Costs

The finance costs of the Group comprised mainly interest expenses on borrowings from bank and bill payables from bank and finance leases for certain motor vehicles, plant and machinery and office equipment. The finance costs of the Group increased by approximately S\$90,000 or approximately 42.86%, from approximately S\$210,000 for the three months ended 31 March 2019 to approximately S\$300,000 for the three months ended 31 March 2020. The increase was mainly due to a higher utilisation of bills payables during the three months ended 31 March 2020 to finance payments to our subcontractors on projects.



MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Credit/Expenses

The Group has no income tax for the three months ended 31 March 2020 (three months ended 31 March 2019: S\$13,000).

Loss/Profit attributable to Equity Holders of the Company

Loss attributable to the equity holders of the Company for the three months ended 31 March 2020 amounted to approximately S\$980,000, representing a decrease of approximately S\$1.0 million from profit attributable to the equity holders of the Company of approximately S\$14,000 for the three months ended 31 March 2019.

Interim Dividend

The Board has resolved not to declare any interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

Liquidity and Financial Resources

The Group finances its daily operations through a combination of internally-generated funds from operations, borrowings and net proceeds from the share offer in year 2018 as well as the subscription of new shares of the Company.

As at 31 March 2020, the Group had negative cash and cash equivalents of approximately S\$1.1 million (31 December 2019 approximately S\$4.1 million). The decrease in cash and cash equivalents was mainly attributable to more payment to our trade payables & bill payables during the three months ended 31 March 2020.

Given the uncertainties arising from the current COVID-19 pandemic situation, the management has reviewed the overall cost structure of the Group with effect from April 2020. This cost restructuring is expected to yield some benefits from second quarter of 2020 onwards.

The total interest-bearing borrowings, including bank borrowing, bill payables and obligations under finance leases, was approximately S\$27.5 million (31 December 2019: approximately S\$30.1 million). The current ratio, being the ratio of current assets to current liabilities was approximately 1.0 times as at 31 March 2020 (31 December 2019: approximately 1.0 times). As at 31 March 2020, the gearing ratio of the Group was 1.6 times (31 December 2019: 1.8 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 2020,

- (a) the Group had pledged bank fixed deposits of approximately S\$3.1 million (31 December 2019: approximately S\$3.3 million) as collateral to secure certain bills payables and borrowings granted to the Group;

MANAGEMENT DISCUSSION AND ANALYSIS

- (b) the Group's properties with an aggregate carrying value of approximately S\$12.6 million (31 December 2019: approximately S\$12.3 million) were also pledged for mortgage to secure 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\$1.5 million (31 December 2019: approximately S\$1.6 million).

Foreign Exchange Exposure

For the three months ended 31 March 2020, 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 2020, 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 and net proceeds from the share offer as well as the subscription of new shares of the Company.

During the three months ended 31 March 2020 and on 19 January 2020, the Company entered into the subscription agreement with the subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 96,000,000 subscription shares at the subscription price of HK\$0.106 per subscription share.

The subscription was completed on 18 February 2020 and 96,000,000 subscription shares representing (i) 20% of the total issued shares of the Company immediately before the completion of the subscription; and (ii) approximately 16.7% of the total issued shares of the Company immediately after the completion, were allotted and issued to the subscriber in accordance with the terms of the subscription agreement.



MANAGEMENT DISCUSSION AND ANALYSIS

Save for the above, there is no change in share capital of the Company for the three months ended 31 March 2020.

Contingent Liabilities

As at 31 March 2020, the Group had an outstanding performance bond for construction contracts, which were secured by corporate guarantee and personal guarantees given by certain Directors, amounted to approximately S\$26.0 million (31 December 2019: S\$21.0 million). The performance bonds are released when the construction contracts are practically completed. As at the date of this report, the Company is in the progress to release and replace all personal guarantees provided by Directors in relation to the performance bonds with corporate guarantee.

Legal Proceeding

As at 31 March 2020, the Group was involved in a legal proceeding against the Group in respect of an industrial accident with injury claimed by the employee in respect of works performed at our Project International School, for which the proceeding is 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. The Group likewise involved in another legal proceeding against the Group in respect of dispute with our subcontractor for outstanding payment in respect of works performed at our Project International School for which the proceeding is still ongoing and settlement has not been reached as at the date of this report. The Group considered that we have a legitimate and sound defence and our maximum exposure to the proceedings would be up to approximately S\$0.1 million, being the total liquidated damages claimed by that subcontractor (31 December 2019: Nil).

Commitments

As at 31 March 2020,

- (a) the Group had no capital commitment (31 December 2019: Nil); and
- (b) the Group had operating lease commitment amounted to approximately S\$177,000 in relation to the minimum rent payable under non-cancellable leases for two properties for our head office as at 31 March 2020 (31 December 2019: S\$203,000), and such 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.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the three months ended 31 March 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates, affiliated companies and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

Guarantee Performance in relation to the Acquisitions

The Group did not enter into any acquisition, which is required to be disclosed under the GEM Listing Rules, that the party in contract required to commit or guarantee on the financial performance in any kinds for the three months ended 31 March 2020.

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 “Prospectus”), the Group did not have other plans for material investment or capital assets as at 31 March 2020.

Significant Investments Held

As at 31 March 2020, the Group did not have any significant investment in equity interest in any other company and did not own any properties (31 December 2019: Nil).

Securities Investments

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 March 2020, which is required to be disclosed under Rule 18.41(4A) of the GEM Listing Rules.

Employees and Remuneration Policies

As at 31 March 2020, the Group had 194 full-time staff, all were located in Singapore (31 March 2019: 199 employees), including the Directors. Total staff costs (including Directors’ emoluments) were approximately S\$1.7 million for the three months ended 31 March 2020 as compared to approximately S\$1.7 million for the three months ended 31 March 2019.

The Group’s employees are remunerated according to their job scope, responsibilities, and performance. On top of basic salaries, employees are also entitled to discretionary bonuses depending on their respective performance and the profitability of the Group. The Group’s foreign workers are typically employed on term contracts depending on the period of their work permits, and subject to renewal based on their performance, and are remunerated according to their work skills.

The emoluments of Directors and senior management were reviewed by the remuneration committee of the Company, having regard to salaries paid by comparable companies, experience, responsibilities and performance of the Group, and approved by the Board.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

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 2020 (the "Reporting Period"), together with the unaudited comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Notes	For the three months ended 31 March	
		2020 S\$'000 (unaudited)	2019 S\$'000 (unaudited)
Revenue	4	12,667	21,063
Cost of services		(12,199)	(19,354)
Gross profit		468	1,709
Other income	5	607	54
Other gains or losses	6	—	(22)
Administrative expenses		(1,753)	(1,504)
Finance costs	7	(299)	(210)
(Loss) Profit before tax		(977)	27
Income tax expense	8	—	(13)
(Loss) Profit and total comprehensive (expense)/income for the period		(977)	14
(Losses) Earnings per share			
Basic and diluted (in SGD cents)	10	0.186	0.003

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Share capital S\$'000	Share premium S\$'000	Merger reserve S\$'000	Revaluation reserve S\$'000	Retained earnings S\$'000	Total S\$'000
At 1 January 2019 (Audited)	846	7,722	6,500	3,042	2,933	21,043
Profit for the period	—	—	—	—	14	14
Gain on revaluation of properties	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—
At 31 March 2019 (unaudited)	846	7,722	6,500	3,042	2,947	21,057
At 1 January 2020 (Unaudited)	846	7,722	6,500	3,727	(1,749)	17,046
Loss and total comprehensive loss for the period	—	—	—	—	(977)	(977)
Issue of shares	1,446	—	—	—	—	1,446
At 31 March 2020 (unaudited)	2,292	7,722	6,500	3,727	(2,726)	17,515



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 Techlink, 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 14 May 2020.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2020, together with the unaudited comparative figures for the corresponding period in 2019 (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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amended IFRSs that are effective for the current period

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

Amendments to IFRS 3 ⁽ⁱ⁾	<i>Definition of a business</i>
Amendments to IAS 1 and IAS 8 ⁽ⁱⁱ⁾	<i>Definition of material</i>
Amendments to IFRS 9, IAS 39 and IFRS 7 ⁽ⁱⁱ⁾	<i>Interest Rate Benchmark Reform</i>

- (i) 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.
- (ii) Effective for annual periods beginning on or after 1 January 2020.

New and amendments to IFRSs In Issue but not yet effective

At the date of authorisation of these financial results, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 ⁽ⁱ⁾	<i>Insurance Contracts</i>
Amendments to IFRS 10 and IAS 28 ⁽ⁱⁱ⁾	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

- (i) Effective for annual periods beginning on or after 1 January 2021.
- (ii) Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial results of the Group in future periods.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) *(Continued)*

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. 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	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Project works for:		
Building and infrastructure	8,477	11,709
Interior decoration	49	2,478
Term contracts	4,141	6,876
	12,667	21,063

Revenue are derived from the below customers:

	For the three months ended 31 March	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Government and governmental bodies	7,451	19,414
Private companies	5,216	1,649
	12,667	21,063

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. 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 2020, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S\$91.8 million (31 December 2019: S\$104.4 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 the top 5 customers of the major services are as follows:

	Building and infrastructure		Interior decoration		Term contracts	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Customer I	2,761	5,514	49	2,478	2,136	3,873
Customer II	2,545	3,725	—	—	1,033	2,495
Customer III	1,293	661	—	—	460	297
Customer IV	965	621	—	—	368	193
Customer V	615	483	—	—	83	18

Geographical information

The Group's revenue is all derived from operations in Singapore and the Group's non-current assets are all located in Singapore.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME

	For the three months ended 31 March	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Government grant and subsidies ^(a)	6	14
Secondment income	7	—
Rental income	33	30
Sales of scrap metal	2	8
Sundry income	559	2
	607	54

- (a) The government grant and subsidies received mainly comprise the Wage Credit Scheme (“WGC”)¹, Temporary Employment Credit (“TEC”) Scheme² and Special Employment Credit (“SEC”)³ in Singapore.

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER GAINS OR LOSSES

	For the three months ended 31 March	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Loss on disposal of property, plant and equipment	—	(22)
	—	(22)

7. FINANCE COSTS

	For the three months ended 31 March	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Interest on:		
Bank borrowings	30	36
Bills payables	178	153
Finance leases	16	14
Bank overdrafts	75	7
	299	210

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Tax expense comprises:		
Current Tax		
— Singapore corporate income tax ("CIT")	—	13
Deferred tax	—	—
	—	13

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 YA2018, and adjusted to 20% capped at S\$10,000 for YA2019. 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 STATEMENTS

9. (LOSS)/PROFIT FOR THE PERIOD

	For the three months ended 31 March	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
(Loss)/profit for the period has been arrived at after charging/(crediting):		
Directors' emoluments		
Salaries, allowances and other benefits	103	255
Retirement benefit scheme contributions	7	9
	110	264
Other staff costs		
Salaries, allowances and other benefits	1,477	1,415
Retirement benefit scheme contributions	84	63
	1,561	1,478
Total staff costs	1,671	1,742
Audit fees paid to auditors of the Company:		
—Annual audit fees	35	34
—Audit fees in connection with the listing of the Company	—	—
Audit fees paid to member firm of the auditors of the Company:		
—Audit fees in connection with the listing of the Company	—	—
Depreciation of property, plant and equipment	191	305
Depreciation of right-of-use assets	87	—
Total depreciation	291	305
Loss on disposals of property, plant and equipment	—	22
Cost of materials recognised as expenses	1,368	428
Subcontractor costs recognised as expenses	9,395	17,193
Allowance for credit losses on trade receivables	—	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. (LOSS) EARNINGS PER SHARE

	For the three months ended 31 March	
	2020 (Unaudited)	2019 (Unaudited)
(Loss) Profit attributable to the owners of the Company (S\$)	S\$(977,000)	S\$14,000
Weighted average number of ordinary shares in issue	524,308,000	480,000,000
Basic and diluted earnings per share (S\$ cents)	0.186	0.003

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately S\$977,000 and the weighted average number of shares in issue for the three months ended 31 March 2020 of 524,308,000 shares.

As a result of the new subscription of 96,000,000 shares, the loss per share was diluted to \$0.186 cents for the three months ended 31 March 2020. There are no convertible securities during the three months ended 31 March 2020 and 2019.

11. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the three months ended 31 March 2020 and 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 10 years from the date of adoption to 3 October 2028, after which period no further options will be granted or 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.

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 until any inside information has been announced, if any. An offer shall remain open for acceptance by the eligible person concerned for such period as determined by the Board, being a date not later than ten business days after the offer date by which the eligible person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme. The amount payable by the grantee to our Company on acceptance of the offer shall be a nominal amount to be determined by the Board.

Unless the Company obtains a fresh approval from the Shareholders to renew the 10% limit in respect of which options may be granted by the Board under the Share Option Scheme and any other share option schemes of the Company, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes shall not in aggregate exceed 57,600,000 Shares, representing 10% of the total number of 576,000,000 Shares in issue as at the date of this report.

The total number of Shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to an eligible person would result in excess of such limit shall be subject to the approval of the Shareholders at general meeting with such eligible person and his associates abstaining from voting.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the approval of the Shareholders at general meeting. The grantee involved in such proposed grant of options, his associates and all core connected persons of our Company must abstain from voting in such general meeting (except that any such persons may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

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.

Further 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 and Note 32 to the Consolidated Financial Statements.

As at 31 March 2020, 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 2020 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 2020, 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		Aggregate interests	% of the Company's issued voting shares
				Total interests in ordinary shares	Total interests in underlying shares		
Mr. Ho Lien Hwai ^{Note}	—	—	144,000,000	144,000,000	—	144,000,000	25.00%

Note:

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 144,000,000 shares held by Bizstar Global by virtue of the SFO. Mr. Ho is an executive Director of the Company.

(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 Shi Min	Bizstar Global	Beneficial interest in controlled corporation	3	30%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 31 March 2020, 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 2020, 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	144,000,000	25.00%
Ms. Yap Lay Kheng ^{Note 1}	Interest of spouse	144,000,000	25.00%
Ace Peak Capital Group Pte. Ltd. ^{Note 2}	Beneficial owner	96,000,000	16.67%

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. The entire issued share capital of Ace Peak Capital Group Pte. Ltd. ("Ace Peak") was legally and beneficially owned as to 100% by Mr. Lee Levin Keng Weng ("Mr. Lee"). Accordingly, Mr. Lee is deemed to be interested in 96,000,000 shares held by Ace Peak by virtue of the SFO.

Save as disclosed above, as at 31 March 2020, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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.

CONFLICT OF INTERESTS

Saved as disclosed above, during the three months ended 31 March 2020, 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

The Group is committed to maintaining high corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company’s corporate governance practices are based on the principles and code provisions as set out in the corporate governance codes (the “CG Code”) as contained in Appendix 15 to the GEM Listing Rules.



CORPORATE GOVERNANCE AND OTHER INFORMATION

The Board considers that the Company has complied with all the applicable principles and code provisions as set out in the CG Code for the three months ended 31 March 2020 with the exception of Code 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”) holds both positions up to 10 January 2020. 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 that Mr. Ho is 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.

On 10 January 2020, for good corporate governance purpose, Mr. Ho has stepped down as Chairman of the Company for full compliance of the CG Code on one hand, and devoting more time on business expansion and consolidation to face and deal with challenges in construction industry in Singapore on the others. Mr. Toh Hock Ghim has been appointed on 10 January 2020 as Chairman of the Company.

The Board expects that the Company will comply with all the applicable principles and code provisions as set out in CG Code (including the code provision A.2.1) from now on.

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 2020.

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 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the three months ended 31 March 2020.

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 2020.

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. Mahtani Bhagwandas and Mr. Ong Kim Huat. 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 2020 have not been audited by the Company's auditor, but have been reviewed and agreed 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. The audit committee is of the opinion that the unaudited consolidated financial statements of the Group for the three months ended 31 March 2020 comply with applicable accounting standard, GEM Listing Rules and that adequate disclosures have been made.

CHANGES IN CONSTITUTIONAL DOCUMENT

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the websites of the Company at www.honindustries.com.sg and the Stock Exchange its amended restated memorandum of association and the articles of association. During the three months ended 31 March 2020, there has been no changes in the constitutional documents of the Company.



CORPORATE GOVERNANCE AND OTHER INFORMATION

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The COVID-19 “circuit breaker” measures delay construction projects by months in Singapore, predicting a manpower crunch when they eventually try to clear the backlog and will likely adversely affect the financial performance of the Group.

With most of the construction activities being put on hold in April 2020, construction growth in the second quarter 2020 will likely contract with downside risks. The Company keeps on assessing its operational and financial impact as overheads, namely rentals, salaries and masks expenses, continue to add up even construction sites remain at a standstill.

The unaudited consolidated first quarterly results of the Group for the three months ended 31 March 2020 (the “1Q2020 Results Announcement”) was prepared based on the financial information contained in the unaudited annual results announcement for the year ended 31 December 2019 (the “2019 Unaudited Annual Results Announcement”). As additional time is required for the preparation and publication of the audited 2019 annual report of the Group for the year ended 31 December 2019 (the “2019 Audited Annual Report”), any changes made thereafter in the 2019 Audited Annual Report as compared to the 2019 Unaudited Annual Results Announcement, may affect the information contained in the 1Q2020 Results Announcement. Following the completion of the auditing process, the Company will issue announcement in relation to the first quarterly results of the Group for the three months ended 31 March 2020 detailing the material differences (if any) as compared with the 1Q2020 Results Announcement contained herein.

Save as disclosed above, up to the date of this report, there was no other significant events 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 2020. The Company will make further announcement to keep the shareholders informed should there is material future business development of the Group, and significant business, operational and financial impacts of coronavirus pursuant to the requirement of the GEM Listing Rules, if applicable.

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

Executive Director and Chief Executive Officer

Singapore, 14 May 2020