

# HON CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8259



2020  
INTERIM REPORT

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**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*)  
Mr. Xu Tianduo  
(*appointed on 12 August 2020*)  
Mr. Tan Jit Pin (Chen Ribin)  
(*appointed on 12 August 2020*)  
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*)  
Mr. Ng Chye Kim  
(*resigned on 23 January 2020*)  
Ms. Luk Huen Ling Claire  
(*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

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



# CORPORATE INFORMATION

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

Blk 20, Ang Mo Kio Industrial Park 2A  
#07-33 AMK Techlink  
Singapore 567761

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## INDEPENDENT AUDITORS

Deloitte & Touche LLP  
*Public Accountants and Chartered  
Accountants*  
*Registered Public Interest Entity Auditor*  
6 Shenton Way  
QUE Downtown 2  
#33-00  
Singapore 068809  
(retired on 7 August 2020)

## COMPLIANCE ADVISER

Fortune Financial Capital Limited  
Units 4301-8 & 13  
43/F, COSCO Tower  
183 Queen's Road Central  
Hong Kong

## LEGAL ADVISER

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](http://www.honindustries.com.sg)

# FINANCIAL HIGHLIGHTS

Revenue of the Group decreased by approximately 63.9% to approximately S\$14.0 million for the six months ended 30 June 2020 from approximately S\$38.8 million for the six months ended 30 June 2019.

Gross loss of the Group for the six months ended 30 June 2020 amounted to approximately S\$0.4 million as compared to the gross profit amounted to S\$3.7 million for the corresponding period of the previous year. The gross loss margin of the Group for the six months ended 30 June 2020 was 2.9%, representing a decrease of approximately 12.3 percent points from gross profit margin of 9.4% over the corresponding period of the previous year.

Loss attributable to the equity holders of the Company for the six months ended 30 June 2020 amounted to approximately S\$6.6 million, representing a decrease of approximately S\$6.6 million from profit attributable to the equity holders of the Company of approximately S\$3,000 for the six months ended 30 June 2019.

Loss per share for the six months ended 30 June 2020 was approximately S\$1.195 cents as compared with earnings per share for the six months ended 30 June 2019 of approximately S\$0.001 cent.

The Board has resolved not to declare any interim dividend for six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET OVERVIEW

The construction sector has been a “key vulnerability” during the COVID-19 pandemic and the Government will work closely with the industry to get through this difficult period, said National Development Minister Lawrence Wong on Tuesday (Jun 9). The pandemic has laid bare some vulnerabilities, including supply chain disruptions and the labour-intensive construction process. Work at construction sites has also been halted for months due to high infection rates at foreign workers’ dormitories.

While it is too early to tell what impact this will have on construction costs, new government regulations and safe management measures are likely to lead to a drop in productivity and efficiency at construction sites as the number of workers allowed on site will be fewer than six months ago. A number of large construction sites are looking for on-site accommodation rather than off-site dormitories to house their foreign workers.

The construction sector is now expected to contract sharply by 10.3% this year in real terms, making Singapore the worst hit market in the Asia-Pacific region.

## BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group has remained unchanged for the six months ended 30 June 2020. The Group’s operations are located in Singapore and our revenue from operation is solely derived from services rendered within Singapore. The Group is 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.

The overall economic consequence of COVID-19 are currently unknown in this unprecedented environment and the suspension of works across Singapore due to the COVID-19 pandemic has greatly affected the industry. The Company revenue has also been greatly affected as a result.

For the second half of 2020, uncertainties in the global economy are expected to remain. Should the outbreak of the COVID-19 be more widespread, severe and protracted than anticipated, there could be sharper pullback in global consumption and will negatively affect global trade and economic growth which in turn will weaken the Singapore economy. Going forward, the Group expects the local construction market in 2020 to remain competitive and demanding with continuous pressures on contract values and stiff competition for new projects. The Group will continue to persist in its participation in new project tenders in order to secure more projects and actively explore other business opportunities to broaden the revenue stream of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPLETED PROJECTS

During the six months ended 30 June 2020, the Group had completed four projects with an aggregated contract value of approximately S\$43.7 million, of which, one project with an aggregated contract value of approximately S\$16.1 million was discontinued with mutual consent as the Group have limited resources to fully continue with the project. The Group had discontinued two projects with an aggregated contract value of approximately S\$18.8 million and S\$2.6 million respectively, which was due to non-performance of sub letting contractors and the Group has no resources to continue the job.

## ONGOING PROJECTS

As at 30 June 2020, the Group had 15 ongoing projects, comprising 9 building and infrastructure projects, 1 interior decoration project, and 5 term contracts with an aggregate contract sum of approximately S\$145.1 million, of which approximately S\$77.9 million has been recognised as revenue as at 30 June 2020. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

Details of the ongoing projects as at 30 June 2020 are as follows:

<b>Sector</b>	<b>Project name</b>	<b>Scope of work</b>	<b>Contract sum</b> S\$ million
Public	Project Residential	Building and infrastructure — proposed construction and modification of electrical substations and common switch rooms	6.9
Public	Project Education	Term contract — renovations and A&A works to facilities	9.0
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



# MANAGEMENT DISCUSSION AND ANALYSIS

Sector	Project name	Scope of work	Contract sum S\$ million
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
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
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

# MANAGEMENT DISCUSSION AND ANALYSIS

## NEWLY AWARDED PROJECT

During the six months ended 30 June 2020, the Group has not secured any newly awarded project.

## 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 six months ended 30 June 2020 and 2019:

	For the six months ended 30 June					
	2020			2019		
	Number of projects/contracts	Revenue (\$'000) (unaudited)	% of revenue (%)	Number of projects/contracts	Revenue (\$'000) (unaudited)	% of revenue (%)
Building and infrastructure projects	9	9,498	68%	11	23,928	62%
Interior decoration projects	1	49	1%	2	3,646	9%
Term contracts	5	4,439	31%	7	11,248	29%
Total	15	13,986	100%	20	38,822	100%

Revenue of the Group for the six months ended 30 June 2020 amounted to approximately S\$14.0 million, representing a decrease of approximately 63.9% from approximately S\$38.8 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 one major building and infrastructure project, Project Housing, as the construction work was discontinued with mutual consent during the six months ended 30 June 2020;
- (ii) Delays in the construction progress on the projects due to the suspension of construction works during the COVID-19 pandemic as a result of circuit breaker measures; and
- (iii) There being no newly awarded project for the six months ended 30 June 2020.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 six months ended 30 June 2020 amounted to approximately S\$14.4 million, representing a decrease of approximately 59.1% from approximately S\$35.2 million over the correspondence period of the previous year. Such decrease was mainly due to the decrease in revenue and an increased in costs for the project that was discontinued with mutual consent and additional cost relating to the COVID-19 pandemic that are required during the six months ended 30 June 2020.

## Gross Loss and Gross Loss Margin

Gross loss of the Group for the six months ended 30 June 2020 amounted to approximately S\$0.4 million, as compared to the gross profit amounted to S\$3.7 million for the corresponding period of the previous year.

The gross loss margin of the Group for the six months ended 30 June 2020 was 2.9%, representing a decrease of approximately 12.3 percent points from gross profit margin of 9.4% over the corresponding period of the previous year. The decrease was mainly due to a substantial decrease in revenue from one major building and infrastructure project, as the construction work was discontinued with mutual consent and delays in the construction progress on the projects due to the suspension of construction works during the COVID-19 pandemic as a result of circuit breaker measures put in place which led to a decrease in gross profit margin as additional costs relating to the COVID-19 pandemic are required on the projects during the six months ended 30 June 2020.

## Other Income

The other income of the Group for the six months ended 30 June 2020 increased by approximately S\$939,000 from approximately S\$261,000 for the six months ended 30 June 2019 to approximately S\$1.2 million for the six months ended 30 June 2020. The increase was mainly attributable to the compensation received from insurance claims for one of the projects for the amount of S\$550,000 and the government grants in view of the COVID-19 pandemic through Job Support Scheme and Wage Credit Scheme amounting to S\$470,000.

## Other Gains and Losses

The other gains or losses of the Group comprised mainly allowance for credit losses on trade receivables and contract assets and loss on disposal of property, plant and equipment. The other losses of the Group increased by approximately S\$3.3 million from approximately S\$55,000 for the six months 30 June 2019 to approximately S\$3.3 million for the six months ended 30 June 2020. The increase was mainly due to allowance for credit losses on contract assets from discontinued project with mutual consent for the six months ended 30 June 2020.

# 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 for the six months ended 30 June 2020 increased by approximately S\$0.1 million or approximately 2.9% from approximately S\$3.4 million for the six months ended 30 June 2019 to approximately S\$3.5 million for the six months ended 30 June 2020. The increased was mainly attributable to fixed operating costs which the Group are required to bear despite the circuit breaker measures put in place during the COVID-19 pandemic.

## Finance Costs

The finance costs of the Group comprised mainly interest expenses on borrowings, bills payables from bank and finance leases for certain motor vehicles, plant and machinery and office equipment.

The finance costs of the Group for the six months ended 30 June 2020 increased by approximately S\$153,000 or approximately 35.9% from approximately S\$426,000 for the six months ended 30 June 2019 to approximately S\$579,000 for the six months ended 30 June 2020. The increase was mainly attributable to higher utilization of bills payables during the six months ended 30 June 2020 to finance payments to our subcontractors on projects.

## Income Tax Credit/Expenses

The Group has no income tax for the six months ended 30 June 2020 (six months ended 30 June 2019: S\$52,000).

## Loss/Profit Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the six months ended 30 June 2020 amounted to approximately S\$6.6 million, representing a decrease of approximately S\$6.6 million from a profit attributable to equity holders of the Company of approximately S\$3,000 for the six months ended 30 June 2019.

## Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (30 June 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 the year 2018 as well as subscription of new shares of the Company.



# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group had negative cash and cash equivalents of approximately S\$2.7 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 six months ended 30 June 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. In addition to the government's help through Job Support Scheme, Wage Credit Scheme and Property Tax Relief's etc, the cost burden of the Group has been lessened. The management will continue closely to monitor the development of the epidemic and assess its impact on the liquidity positions.

The total interest-bearing borrowings, including bank borrowings, bank overdraft, bills payables and lease liabilities was approximately S\$24.1 million (31 December 2019: approximately S\$30.3 million). The current ratio, being the ratio of current assets to current liabilities was approximately 1.0 times as at 30 June 2020 (31 December 2019: approximately 1.0 time). As at 30 June 2020, the gearing ratio of the Group was 2.2 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 30 June 2020,

- (a) the Group had no pledged bank fixed deposits (31 December 2019: S\$3.3 million);
- (b) the Group's properties with an aggregate carrying value of approximately S\$12.5 million (31 December 2019: S\$12.3 million) were 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\$1.3 million (31 December 2019: S\$1.6 million).

## Foreign Exchange Exposure

For the six months ended 30 June 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 also 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the six months ended 30 June 2020, the Group has not entered into any agreement or commit to any financial instruments to hedge any exchange rate exposure.

## Share Capital and Capital Structure

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, bank overdraft and net proceeds from the share offer as well as the subscription of new shares of the Company.

On 19 January 2020, the Company entered into the subscription agreement with Ace Peak Capital Group Private Limited (the "Subscriber"), an independent third party, 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 ordinary shares of HK\$0.01 each at the subscription price of HK\$0.106 per subscription share. The Directors consider that the subscription will provide additional funding for the Company to maintain the working capital requirement for the payment of trade-related payables and banking facilities in order to ease the tight cash flow and liquidity of the Group.

The subscription was completed on 18 February 2020 and 96,000,000 ordinary 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.

The net proceeds from the subscription, after deduction of the professional fee and other related expenses, amounted to approximately HK\$10.1 million, which are intended to be used for general corporate purposes including (i) as to 30%, being an amount of approximately HK\$3.0 million, for the repayment of the bank facilities or overdrafts utilised in settling the Group's trade and/or trade related payables in the ordinary course of business; and (ii) as to 70%, being an amount of approximately HK\$7.1 million, for general working capital for settling outstanding bank facilities and payables to subcontractors.

As at 30 June 2020, the net proceeds from the allotment of the ordinary shares has been fully applied and utilized as planned. The Directors are not aware of any material change or delay to the use of proceeds from the allotment of the subscription shares.

Save for the above, there is no change in share capital of the Company for the six months ended 30 June 2020.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Contingent Liabilities

As at 30 June 2020, the Group had an outstanding performance bond for construction contracts, which were secured by corporate guarantee and personal guarantee given by certain Directors, amounted to approximately S\$24.7 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 30 June 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 six legal proceedings against the Group in respect of dispute with our subcontractor for outstanding payment in respect of works performed at our Project International School (Three), Project recreation Centre (One) and Project Education (Two), for which the proceedings are 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\$0.8 million, being the total liquidated damages claimed by that subcontractor (31 December 2019: Nil).

In addition, the Group received Writ of Summons from various creditors amounting to S\$7,349,000 in which the legal proceedings are still on going as at the date of this report.

Save as disclosed above and up to the date of this report, the Group did not have any other material contingent liabilities (31 December 2019: Nil).

## Commitments

As at 30 June 2020,

- (a) the Group had no capital commitment (31 December 2019: Nil); and
- (b) the Group had operating lease commitment amounted to approximately S\$151,000 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 as at 30 June 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Significant Investments Held

As at 30 June 2020, the Group did not hold any significant investments in equity interest in any other company (31 December 2019: Nil).

## 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 30 June 2020.

## 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 30 June 2020, which is required to be disclosed under Rule 18.41(4A) of the GEM Listing Rules.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2020, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

## 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 30 June 2020.

## Employees and Remuneration Policies

As at 30 June 2020, the Group had a total of 130 employees (30 June 2019: 189 employees), including executive Directors. Total staff costs (including Directors’ emoluments) were approximately S\$2.8 million for the six months ended 30 June 2020 as compared to approximately S\$3.4 million for the six months ended 30 June 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 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2020

The board (the "Board") of directors (the "Directors") of the Company is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2020 (the "Period"), together with the comparative unaudited figures for the corresponding period in 2019, as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020 S\$'000 (unaudited)	2019 S\$'000 (unaudited)	2020 S\$'000 (unaudited)	2019 S\$'000 (unaudited)
<b>Revenue</b>	4	<b>1,319</b>	17,759	<b>13,986</b>	38,822
Cost of services		<b>(2,379)</b>	(15,814)	<b>(14,363)</b>	(35,168)
<b>Gross (Loss) Profit</b>		<b>(1,060)</b>	1,945	<b>(377)</b>	3,654
Other income	5	<b>574</b>	207	<b>1,181</b>	261
Other gains or losses	6	<b>(3,298)</b>	(33)	<b>(3,298)</b>	(55)
Administrative expenses		<b>(1,746)</b>	(1,875)	<b>(3,499)</b>	(3,379)
Finance costs	7	<b>(280)</b>	(216)	<b>(579)</b>	(426)
<b>(Loss) Profit before tax</b>		<b>(5,810)</b>	28	<b>(6,572)</b>	55
Income tax expense	8	—	(39)	—	(52)
<b>(Loss) Profit for the period</b>	9	<b>(5,810)</b>	(11)	<b>(6,572)</b>	3
Other comprehensive income: <i>Item that will not be reclassified to profit or loss:</i>					
Gain on revaluation of properties		—	—	—	—
<b>Total comprehensive (loss)/income for the period</b>		<b>(5,810)</b>	(11)	<b>(6,572)</b>	3
<b>(Losses) Earnings per share</b>					
Basic and diluted (in SGD cents)	10	<b>(1.056)</b>	(0.002)	<b>(1.195)</b>	0.001

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 S\$'000 (Unaudited)	As at 31 December 2019 S\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		13,518	13,925
Right of use assets		1,428	1,693
Financial asset at fair value through profit or loss		—	328
Other receivables		2,027	5,158
		<b>16,973</b>	21,104
<b>Current assets</b>			
Trade receivables	11	6,324	12,419
Deposits, prepayments and other receivables	12	18,190	11,667
Contract assets		23,443	31,140
Pledged bank deposits		—	3,305
Bank balances and cash		3,002	184
		<b>50,959</b>	58,715
<b>Current liabilities</b>			
Trade and other payables	13	31,248	33,216
Bills payables		11,552	19,737
Contract liabilities		1,600	51
Lease liabilities		277	388
Borrowings		5,943	4,569
Amount due to directors		—	207
Income tax payable		10	10
		<b>50,630</b>	58,178
<b>Net current assets</b>		<b>329</b>	537
<b>Total assets less current liabilities</b>		<b>17,302</b>	21,641

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 S\$'000 (Unaudited)	As at 31 December 2019 S\$'000 (Audited)
<b>Non-current liabilities</b>			
Lease liabilities		724	804
Borrowings		5,571	4,799
		<b>6,295</b>	5,603
<b>Net assets</b>			
		<b>11,007</b>	16,038
<b>Capital and reserves</b>			
Share capital	14	2,387	846
Share premium		7,722	7,722
Merger reserves		6,500	6,500
Revaluation reserve		3,727	3,727
(Accumulated losses)		(9,329)	(2,757)
<b>Equity attributable to owners of the Company</b>			
		<b>11,007</b>	16,038

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months and six months ended 30 June 2020

	Share capital	Share premium	Merger reserve	Revaluation reserve	(Accumulated losses)/ Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2019 (Audited)	846	7,722	6,500	3,042	2,933	21,043
Profit for the period	—	—	—	—	3	3
Gain on revaluation of properties	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—
At 30 June 2019 (unaudited)	846	7,722	6,500	3,042	2,936	21,046
<b>At 1 January 2020 (Audited)</b>	<b>846</b>	<b>7,722</b>	<b>6,500</b>	<b>3,727</b>	<b>(2,757)</b>	<b>16,038</b>
<b>Loss and total comprehensive loss for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(6,572)</b>	<b>(6,572)</b>
Issue of shares	1,541	—	—	—	—	1,541
<b>At 30 June 2020 (unaudited)</b>	<b>2,387</b>	<b>7,722</b>	<b>6,500</b>	<b>3,727</b>	<b>(9,329)</b>	<b>11,007</b>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
<b>Operating activities</b>		
(Loss) Profit before taxation	(6,572)	55
Adjustments for:		
Finance costs	579	426
Interest income	(6)	(7)
Depreciation of property, plant and equipment	293	601
Depreciation of right of use asset	265	—
Loss on disposal of property, plant and equipment	49	55
Disposal of financial assets at fair value through profit or loss	328	—
Operating cash flows before movements in working capital	(5,064)	1,130
Decrease (increase) in trade receivables	6,095	(6,883)
Increase in deposits, prepayments and other receivables	(3,393)	(1,446)
Decrease in contract assets	7,696	8,969
Increase in contract liabilities	1,549	59
Decrease in trade and other payables	(1,968)	(5,145)
Cash generated from (used in) operations	4,915	(3,316)
Income tax paid	—	(603)
<b>Net cash from (used in) operating activities</b>	<b>4,915</b>	<b>(3,919)</b>
<b>Investing activities</b>		
Interest received	6	7
Purchase of property, plant and equipment	(11)	(145)
Proceeds from disposal of property, plant and equipment	78	305
Withdrawal/(Placement) of pledged deposits	3,305	(2,504)
<b>Net cash from (used in) investing activities</b>	<b>3,378</b>	<b>(2,337)</b>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
<b>Financing activities</b>		
Interest paid	(579)	(426)
(Decrease) increase in bills payables	(8,185)	2,301
Increase (decrease) in borrowings	777	(127)
Repayment of lease liabilities	(191)	(358)
Issue of shares	1,541	—
Repayment of amount due to directors	(207)	—
<b>Net cash (used in) from financing activities</b>	<b>(6,844)</b>	1,390
Net increase (decrease) in cash and cash equivalents	1,449	(4,866)
Cash and cash equivalents at beginning of the period	(4,107)	4,959
<b>Cash and cash equivalents at end of the period</b>	<b>(2,658)</b>	93
Represented by:		
Cash and cash equivalents	3,002	2,183
Bank overdrafts	(5,660)	(2,090)
	<b>(2,658)</b>	93



# NOTES TO THE UNAUDITED INTERIM 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 August 2020.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 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 INTERIM 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 <sup>(i)</sup>	<i>Definition of a business</i>
Amendments to IAS 1 and IAS 8 <sup>(ii)</sup>	<i>Definition of material</i>
Amendments to IFRS 9, IAS 39 and IFRS 7 <sup>(ii)</sup>	<i>Interest Rate Benchmark Reform</i>

<sup>(i)</sup> 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.

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

<sup>(i)</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>(ii)</sup> 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 INTERIM 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 INTERIM 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 INTERIM 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 30 June		For the six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Project works for:				
Building and infrastructure	1,021	12,219	9,498	23,928
Interior decoration	—	1,168	49	3,646
Term contracts	298	4,372	4,439	11,248
	<b>1,319</b>	17,759	<b>13,986</b>	38,822

Revenue are derived from the below customers:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Government and governmental bodies	669	15,075	8,120	34,489
Private companies	650	2,684	5,866	4,333
	<b>1,319</b>	17,759	<b>13,986</b>	38,822

# NOTES TO THE UNAUDITED INTERIM 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 30 June 2020, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S\$67.2 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	3,108	8,288	49	3,183	2,404	5,037
Customer II	2,806	7,236	—	467	1,045	3,791
Customer III	1,376	3,129	—	—	457	1,252
Customer IV	1,121	1,817	—	—	379	743
Customer V	745	1,321	—	—	84	350

### 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Government grant and subsidies <sup>(a)</sup>	465	3	471	17
Secondment income	—	151	7	151
Rental income	32	36	65	66
Sales of scrap metal	—	3	2	11
Sundry income	77	14	636	16
	<b>574</b>	207	<b>1,181</b>	261

<sup>(a)</sup> The government grant and subsidies received mainly comprise the Wage Credit Scheme ("WGC")<sup>1</sup>, Temporary Employment Credit ("TEC") Scheme<sup>2</sup>, Special Employment Credit ("SEC")<sup>3</sup> and Job Support Scheme Credit ("JSS")<sup>4</sup> in Singapore.

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

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

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

<sup>4</sup> The JSS will provide wage support to employers, helping enterprises retain their local employees (Singapore Citizens and Permanent Residents) during this period of COVID-19 economic uncertainty.

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. OTHER GAINS OR LOSSES

	For the three months ended 30 June		For the six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Loss on disposal of property, plant and equipment	(49)	(33)	(49)	(55)
Allowance for credit losses on contract asset	(3,249)	—	(3,249)	—
	<b>(3,298)</b>	<b>(33)</b>	<b>(3,298)</b>	<b>(55)</b>

## 7. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Interest on:				
Bank borrowings	32	42	62	78
Bills payables	155	143	333	296
Finance leases	4	19	20	33
Bank overdrafts	89	12	164	19
	<b>280</b>	<b>216</b>	<b>579</b>	<b>426</b>

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Tax expense				
comprises:				
Current Tax				
— Singapore corporate income tax ("CIT")	—	85	—	98
Deferred tax	—	(46)	—	(46)
	—	39	—	52

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 YA2019 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 YA2020.

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

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9. (LOSS) PROFIT FOR THE PERIOD

	For the three months ended 30 June		For the six months ended 30 June	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Profit for the period has been arrived at after charging/ (crediting):				
Directors' emoluments				
Salaries, allowances and other benefits	61	255	164	510
Retirement benefit scheme contributions	6	9	13	18
	<b>67</b>	<b>264</b>	<b>177</b>	<b>528</b>
Other staff costs				
Salaries, allowances and other benefits	940	1,318	2,417	2,733
Retirement benefit scheme contributions	46	69	130	132
	<b>986</b>	<b>1,387</b>	<b>2,547</b>	<b>2,865</b>
Total staff costs	<b>1,053</b>	<b>1,651</b>	<b>2,724</b>	<b>3,393</b>
Audit fees paid to auditors of the Company:				
— Annual audit fees	34	34	69	68
Depreciation of property, plant and equipment	102	296	293	601
Depreciation of right-of-use assets	178	—	265	—
Loss on disposals of property, plant and equipment	49	33	49	55
Cost of materials recognised as expenses	395	267	1,763	695
Subcontractor costs recognised as expenses	383	14,087	9,778	31,269
Allowance for credit losses on contract asset	3,249	—	3,249	—



# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. (LOSS) EARNINGS PER SHARE

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
(Loss) Profit attributable to the owners of the Company (S\$)	<b>(5,810,000)</b>	(11,000)	<b>(6,572,000)</b>	3,000
Weighted average number of ordinary shares in issue	<b>550,154,000</b>	480,000,000	<b>550,154,000</b>	480,000,000
Basic and diluted earnings per share (S\$ cents)	<b>(1.056)</b>	(0.002)	<b>(1.195)</b>	0.001

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately S\$6,572,000 and the weighted average number of shares in issue for the six months ended 30 June 2020 of 550,154,000 shares.

As a result of the new subscription of 96,000,000 shares, the loss per share was diluted to S\$1.195 for the six months ended 30 June 2020. There were no convertible securities during the six months ended 30 June 2020 and 2019.

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. TRADE RECEIVABLES

	<b>As at 30 June 2020 S\$'000 (Unaudited)</b>	As at 31 December 2019 S\$'000 (Audited)
Trade receivables	<b>2,669</b>	7,644
Less: Allowance for credit losses	<b>(759)</b>	(759)
	<b>1,910</b>	6,885
Unbilled revenue	<b>4,414</b>	5,534
Total trade receivables	<b>6,324</b>	12,419

The Group grants credit terms to customers typically range from 0 to 35 days from invoice date.

The table below is an ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice dates at the end of reporting date.

	<b>As at 30 June 2020 S\$'000 (Unaudited)</b>	As at 31 December 2019 S\$'000 (Audited)
Within 30 days	<b>466</b>	6,204
31 days to 60 days	<b>787</b>	375
61 days to 90 days	<b>84</b>	35
Over 90 days	<b>573</b>	271
	<b>1,910</b>	6,885

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. TRADE RECEIVABLES *(Continued)*

Movement in loss allowance:

	<b>As at 30 June 2020 S\$'000 (Unaudited)</b>	As at 31 December 2019 S\$'000 (Audited)
At the beginning of the year	<b>759</b>	100
Effect of adoption of IFRS 9	—	—
Addition during the year	—	659
At the end of the year	<b>759</b>	759

All of the above impairment losses related to receivables arising from contracts with customers.

The movement for the year ended 31 December 2019, i.e. in lifetime ECL, has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9. During the year ended 31 December 2019, loss allowance of S\$659,000 (2018: S\$100,000) recognised for credit-impaired trade receivables and no impairment loss was recognised for non-credit impaired trade receivables.

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 S\$'000 (Unaudited)	As at 31 December 2019 S\$'000 (Audited)
<b>Current:</b>		
Deposits	1,379	343
Prepayments	2,288	388
Prepayments to sub-contractors	5,269	5,847
Insurance claim receivables	66	66
GST claimable	—	109
Others receivables	9,188	4,914
	<b>18,190</b>	11,667
<b>Non-current:</b>		
Other receivables	2,027	5,158
Total	<b>20,217</b>	16,825

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. TRADE AND OTHER PAYABLES

	As at 30 June 2020 S\$'000 (Unaudited)	As at 31 December 2019 S\$'000 (Audited)
Trade payables	20,824	19,532
Trade accruals	5,247	8,786
Retention payables	3,688	3,589
Claim payables	24	24
Goods and service tax payables	187	—
Other payables and accruals	1,278	1,285
	<b>31,248</b>	<b>33,216</b>

The average credit period of the trade payables is 60 days. The ageing analysis of the trade payables based on invoice date at the end of the reporting period are as follows:

	As at 30 June 2020 S\$'000 (Unaudited)	As at 31 December 2019 S\$'000 (Audited)
Within 30 days	131	4,512
31 days to 60 days	2,176	4,886
61 days to 90 days	3,128	2,029
Over 90 days	15,389	8,105
	<b>20,824</b>	<b>19,532</b>

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14. SHARE CAPITAL

	Number of shares	Par value HK\$	Share capital HK\$'000
Authorised share capital:			
At 31 December 2019 (audited) and 30 June 2020 (unaudited)	10,000,000,000	0.01	100,000

	Number of shares	Share capital S\$'000
Issued and fully paid:		
At 31 December 2019 (audited)	480,000,000	846
At 30 June 2020 (unaudited)	576,000,000	2,387

A summary of movements in the Company's issued share capital is as follows:

	Number of shares	Share capital (S\$,000)
As at 31 December 2019 and 1 January 2020	480,000,000	846
New issue of shares	96,000,000	1,541
As at 30 June 2020	576,000,000	2,387

## 15. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the six months ended 30 June 2020 and 2019.

## 16. CONNECTED PARTY TRANSACTIONS

Other than the compensations paid to the key management including Directors of the Company, there is no known related party or connected party transactions for the six months ended 30 June 2020 and 2019.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the Group's business plans as set out in the Prospectus and the Group's actual business progress for the six months ended 30 June 2020:

<b>Business plan as set out in the Prospectus</b>	<b>Actual business progress as at 30 June 2020</b>
Recruitment of addition staff (senior supervisors, skilled workers and operators) in order to further strengthen our manpower	<p>The Group did not employ any new staff for the six months ended 30 June 2020 due to the COVID-19 pandemic which led to the suspension of construction activities.</p> <p>There was no newly awarded projects to the Company and the Company will assess the on-going projects schedule and tie in accordingly the employment of these personnel.</p>
Acquisition of additional machinery and equipment for business expansion and consolidation of market position	<p>The Group did not purchase any units of machines for building construction and general contractor works.</p> <p>There was no newly awarded projects to the Company and the Company will assess the on-going projects schedule and tie in accordingly the purchase of these equipments.</p>
Reconfiguration of our current properties and rental of new office	<p>The Group had renovated and reconfigured office at 20 Ang Mo Kio Industrial Park 2A and 52 Tuas View Square.</p>
Purchase of software and provision of staff training to enhance productivity	<p>The Group had purchase the IT products and enrolled staff for courses regularly.</p> <p>These products includes new computers for staff, upgrading of server software, training courses.</p>

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## USE OF LISTING PROCEEDS

The shares of the Company were listed on GEM of the Stock Exchange on 7 November 2018 for which the Company issued 120,000,000 ordinary shares of HK\$0.01 each. The offer price is at HK\$0.50 per offer share. The net listing proceeds from the share offer received by the Company, after deducting related listing expenses, were approximately HK\$25.5 million (approximately S\$4.5 million), out of which S\$1.2 million has been utilized as at 30 June 2020. These proceeds are intended to be applied in the manner as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As at 30 June 2020, the Group does not anticipate any material change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed with licensed bank in Singapore and Hong Kong.

However, due to the slowdown and suspension of construction activities in Singapore, the negative impact of COVID-19 and there being no newly awarded projects to the Group for the six months ended 30 June 2020, there was a delay in use of the remaining net proceeds. Subject to the recovery of construction industry and full resumption of construction activities in Singapore, the Company expects to utilize all the remaining net proceeds by 31 December 2020. As at 30 June 2020, the net listing proceeds has been applied and utilized as follows:

Use of net proceeds	Total net proceeds from share offer (S\$'000)	Total remaining net proceeds available as at 1 January 2020 (S\$'000)	Planned use of net proceeds		Total remaining net proceeds available as at 30 June 2020 (S\$'000)	Expected timeline to fully utilize the remaining net proceeds
			for the six months ended 30 June 2020 (S\$'000)	Utilized for the six months ended 30 June 2020 (S\$'000)		
Recruitment of addition staff	2,025	1,657	600	—	1,657	31 December 2020
Acquisition of additional machinery and equipment	1,801	1,679	400	—	1,679	31 December 2020
Reconfiguration of our current properties and rental of new office	180	0	0	0	0	—
Purchase of software and provision of staff training to enhance productivity	45	0	0	0	0	—
General working capital	450	0	0	—	—	—
<b>Total</b>	<b>4,501</b>	<b>3,336</b>	<b>1,000</b>	<b>—</b>	<b>3,336</b>	





# CORPORATE GOVERNANCE AND OTHER INFORMATION

## PRINCIPAL RISKS AND UNCERTAINTIES

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. As at 30 June 2020, the Board is aware that the Group is exposed to various risks and the principal risks and uncertainties, which summarized below:

### ***COVID-19***

The COVID-19 pandemic has had an unprecedented impact on the global economy and has created a number of challenges for the construction industry in particular. The current global economic shock, length of recession, and trajectory of the recovery will largely determine the nature and severity of these challenges. The outbreak of COVID-19 across the world and the quarantine measures imposed by government in different countries continued to have severe negative impact on the operations of the Group.

### ***Liquidity and going concern issue***

The cash flows and financial position of the Group have been impacted adversely as construction activities have to be halted during the “Circuit Breaker” period and also unable to resume construction activities in Phase 1. Construction contract revenue is recognized by reference to the stage of completion of the contract activity at the end of reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably. Due to the widespread impact of the Covid-19 pandemic, many construction projects and programs are experiencing delays and disruption.

The Group is exposed to an increased liquidity risk in relation to its ability to repay indebtedness when they fall due.

### ***Slow down of construction project***

The interconnectedness, complexity and global nature of the construction industry’s supply chains and workforce affect the cost and schedule of projects. Any slowdown across infrastructure investments due to, for example, uncertainty of demand or access to financing could have an impact on project start dates or stall construction progress, with potential longer-term economic repercussions for host countries.

While many in the construction sector are eager to resume business, they manpower issues remain one of the biggest roadblocks — with firms reporting that it is difficult meeting the stringent requirements needed to get workers cleared to return to work.

Many of the required measures needed to curb the spread of the coronavirus have led to delays.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## ***Prudent banking facility from the bank***

Due to the disclaimer of opinion in the audited financial statements for the year ended 31 December 2019 relating to multiple material uncertainties regarding the going concern, banks will adopt more prudent and conservative approach on granting banking facilities and may possibly require collateral as pledge on the borrowing loan, which will absolutely affect the cash flow and financial position of the Group, and hence the normal business operation.

## ***Customer concentration risk***

As at 30 June 2020, our top five customers accounted for over 77.3% of our total revenue and any significant decrease in projects secured from any one of them or any change in their creditworthiness may affect our business, operations and financial results. The Group has not entered into any long-term agreements with our top five customers.

## ***Difficulties in recruiting and retaining skilled staff and/or foreign workers***

There is high labour demand within the building and construction industry in Singapore and it is increasingly hard to employ skilled and licensed foreign workers due to the tightened policies on the employment of foreign workers and the labour shortage in Singapore. Any changes in the policies of the foreign workers' countries of origin may also affect the supply of foreign workers and cause disruptions to our operations, resulting in a delay for the completion of our projects.

In addition, we may also face difficulties in retaining skilled staff and/or foreign workers due to unforeseen fluctuations in labour costs. We may need to take into consideration such salary trends when recruiting or retaining skilled local talents and/or foreign workers as we would want to offer more competitive remuneration packages in order to attract higher skilled labour which may result in increased operating expenses thereby affecting our financial performance.

## ***Non-recurring nature of our projects***

Our contracts are awarded on a project basis and our revenue is not recurring in nature. The Group cannot guarantee that we will continue to secure new projects from our customers after the completion of the existing projects. Any failure to do so could materially and adversely affect our financial performance.

## **UPDATE ON ACTION PLAN TO ADDRESS THE DISCLAIMER OF OPINION**

Reference is made to the supplemental announcement of the Company dated 29 June 2020 in relation to the audited annual results for the year ended 31 December 2019 detailing, among others, the action plan of the Company to address the disclaimer of opinion relating to the going concern issue.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

In order to address the uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns, and with a view to the disclaimer of opinion, the Company had taken and implement the following measures to mitigate the liquidity pressure and to improve its cash flows. An update on our action plan as at the date of this report including:

1. The Company is currently working on the various new requirements for the resumption of works to enable its full resumption of construction activities and projects so as to record revenue and profit to ease the going concern and liquidity issues. These includes but not limited to:
  - Swap testing of workers
  - Segregation of workers
  - Enrolment of staffs for new safe work distancing guidelines
  - Application to various Authorities
2. The Company is actively negotiating with all primary lenders on the deferment of payments and restructuring payments terms.
3. At present, the Company is applying for new banking facilities under the Government COVID-19 relief measures so as to strength our cash flow for daily operation and finance certain expenses related to our construction projects.
4. The Company is currently working on the deferring payments due and restructuring payment terms of other creditors.
5. The Company will consider to raise fund by the issuance of new shares under general mandate approved by shareholders of the Company at the annual general meeting held on 7 August 2020 subject to the availability of the potential investors, amount of subscription proceeds and the cash flow of the Group.
6. The Company has embarked on the followings cost control measures:
  - Adjustment of Directors' and staffs' remunerations
  - Re-structuring of staffs deployment, including retrenchment
  - Optimization of resources

# CORPORATE GOVERNANCE AND OTHER INFORMATION

Further update on implementation of our action plan will be made by way of announcement in compliance with the GEM Listing Rules as and when necessary.

## 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.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

As at 30 June 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 six months ended 30 June 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.

## 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 30 June 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 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

(i) *Interests in the Company*

Name of director	Interests in ordinary shares					% of the Company's issued voting shares	
	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares		
Mr. Ho Lien Hwai <sup>Note</sup>	—	—	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 100% 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 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 30 June 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 <sup>Note 1</sup>	Interest of spouse	144,000,000	25.00%
Ace Peak Capital Group Pte. Ltd. <sup>Note 2</sup>	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 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 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.

## CONFLICT OF INTERESTS

Saved as disclosed above, during the six months ended 30 June 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.

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 six months ended 30 June 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.





## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

For good corporate governance purpose, Mr. Ho has stepped down as Chairman of the Company on 10 January 2020 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 six months ended 30 June 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 six months ended 30 June 2020.

### **CHANGES OF DIRECTORS' INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES**

The Company is not aware of any changes in the Directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules as at 30 June 2020.

### **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 six months ended 30 June 2020.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Fortune Financial Capital Limited to be the compliance adviser. As notified by Fortune Financial Capital Limited, compliance adviser of the Company, neither Fortune Financial Capital Limited nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Fortune Financial Capital Limited had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 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 interim condensed consolidated financial statement for the six months ended 30 June 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 interim consolidated financial statements of the Group for the six months ended 30 June 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](http://www.honindustries.com.sg) and the Stock Exchange its amended restated memorandum of association and the articles of association. During the six months ended 30 June 2020, there has been no changes in the constitutional documents of the Company.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## **SIGNIFICANT EVENT AFTER THE REPORTING PERIOD**

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 six months ended 30 June 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 August 2020