

HON CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8259



2020

THIRD QUARTERLY REPORT

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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 of the Stock Exchange 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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As at the date of this report:

EXECUTIVE DIRECTORS

Mr. Tan Jit Pin (Chen Ribin)
(appointed on 12 August 2020)
Mr. Ho Lien Hwai (*Chief Executive Officer*)
Ms. Teng Ley Peng
Mr. Xu Tianduo
(appointed on 12 August 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. Mahtani Bhagwandas
(resigned on 30 September 2020)
Mr. Ong Kim Huat
(resigned on 30 September 2020)
Mr. Lau Wang Lap
Ms. Luk Huen Ling Claire
Mr. Lei Xiongpeng
(appointed on 23 October 2020)

AUDIT COMMITTEE

Mr. Lau Wang Lap (*Chairman*)
Ms. Luk Huen Ling Claire
Mr. Lei Xiongpeng

REMUNERATION COMMITTEE

Mr. Lei Xiongpeng (*Chairman*)
Ms. Luk Huen Ling Claire
Mr. Tan Jit Pin (Chen Ribin)

NOMINATION COMMITTEE

Mr. Toh Hock Ghim (*Chairman*)
Mr. Ho Lien Hwai
Mr. Lau Wang Lap
Ms. Luk Huen Ling Claire
Mr. Lei Xiongpeng

COMPANY SECRETARY

Mr. Ngai Tsz Hin Michael
(appointed on 1 October 2020)

AUTHORISED REPRESENTATIVE

Mr. Ho Lien Hwai
Mr. Ngai Tsz Hin Michael

COMPLIANCE OFFICER

Mr. Ho Lien Hwai

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong
(effective from 1 October 2020)

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Public Accountants and Chartered
Accountants
Registered Public Interest Entity Auditor
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Singapore 068809
(retired on 7 August 2020)



CORPORATE INFORMATION

COMPLIANCE ADVISER

Fortune Financial Capital Limited
43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

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

LEGAL ADVISER

O Tse & Co.
Unit A, 8th Floor
Tern Centre Tower 2
251 Queen's Road Central
Hong Kong

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
(appointed on 1 April 2020)

STOCK CODE

8259

COMPANY WEBSITE

www.honindustries.com.sg

FINANCIAL HIGHLIGHTS

Revenue of the Group for the nine months ended 30 September 2020 amounted to approximately S\$14.9 million, representing a decrease of approximately 70.2% from approximately S\$50.0 million over the corresponding period of the previous year.

Gross loss of the Group for the nine months ended 30 September 2020 amounted to approximately S\$4.2 million, as compared to the gross profit which amounted to S\$4.0 million for the corresponding period of the previous year.

The gross loss margin of the Group for the nine months ended 30 September 2020 was 28.2%, as compared to the gross profit margin of 8.1% over the corresponding period of the previous year.

Loss attributable to equity holders of the Company for the nine months ended 30 September 2020 amounted to approximately S\$24.5 million, representing an increase of approximately S\$22.4 million from loss attributable to equity holders of the Company of approximately S\$2.1 million over the corresponding period of the previous year.

Loss per share for the nine months ended 30 September 2020 was approximately S\$4.3 cents as compared to the loss per share of approximately S\$0.4 cents for the nine months ended 30 September 2019.

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



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The construction sector in Singapore has continued to be adversely impacted by the COVID-19 pandemic, including supply chain disruptions and halted construction process.

Like the rest of the world, COVID-19 has had a rippling effect on Singapore's construction costs. During the pandemic, Singapore's government introduced a series of support measures as part of its COVID-19 Act to help enable construction projects to get back on track in a phased approach. However, there remains a significant degree of uncertainty over the severity and duration of the COVID-19 crisis.

The Ministry of Trade and Industry (MTI) has published data that reveals the Singapore economy contracted by 13.2 percent on a year-on-year basis in second quarter of 2020. While the construction sector contracted by 59.3 percent on a year-on-year basis in second quarter of 2020, due to the circuit breaker measures which resulted in the suspension of almost all construction worksites, as well as manpower disruptions arising from the additional measures implemented to curb the spread of COVID-19.

Based on current market sentiments, many new projects are likely to be put on hold as the immediate focus is to continue to work on the resumption of existing projects. Given the severity of the economic downturn, some of the projects previously in the pipeline have been deferred.

BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group has remained largely unchanged during the nine months ended 30 September 2020. The Group's operations are mainly located in Singapore and our revenue and profit from operations are principally derived from services rendered within Singapore. The Group is actively involved as a main contractor in both private and public sector projects which include being aware of tender invitation 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.

In September 2020, the Group commenced discussion in relation to the potential cooperation for "big healthcare" (大健康) business in the People's Republic of China. On 22 September 2020, the Company acquired the entire issued share capital of Cheer Noble Enterprises Limited ("Cheer Noble"), a Hong Kong company engaged in the business of providing co-working space for healthcare companies in Hong Kong and PRC. Additionally, Cheer Nobel is expected to provide value-add services for these healthcare companies including capital raising, back-office administration, and accounting services.

MANAGEMENT DISCUSSION AND ANALYSIS

Going forward, we expect the COVID-19 situation will continue to impact our business for the year 2020. The Board will actively look for suitable business opportunities in order to diversify the risks of uncertain operating environment.

COMPLETED PROJECTS

During the nine months ended 30 September 2020, the Group had completed seven projects with an aggregated contract value of approximately S\$58.8 million. The Group had discontinued three projects with an aggregated contract value of approximately S\$5.2 million, S\$9.3 million and S\$0.6 million respectively, which was due to non-performance of sub-letting contractors and limitation on the Group's resources during the COVID-19 pandemic during the three months ended 30 September 2020.

ONGOING PROJECTS

As at 30 September 2020, the Group had 12 ongoing projects, comprising 7 building and infrastructure projects and 5 term contracts with an aggregate contract sum of approximately S\$119.1 million, of which approximately S\$62.6 million has been recognised as revenue as at 30 September 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 September 2020 are as follow:

Sector	Project name	Scope of work	Contract sum S\$ million
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
Public	Project Community Club	Term contract — servicing and maintenance works at community club	0.9

MANAGEMENT DISCUSSION AND ANALYSIS

Sector	Project name	Scope of work	Contract sum S\$ million
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
Public	Project Government	Building and infrastructure — construction of reinforced concrete building, steel structure and ancillary works	47.0
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 PROJECTS

During the nine months ended 30 September 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 nine months ended 30 September 2020 and 2019:

	For the nine months ended 30 September					
	2020			2019		
	Number of projects/contracts	Revenue (\$'000) (unaudited)	% of revenue (%)	Number of projects/contracts	Revenue (\$'000) (unaudited)	% of revenue (%)
Building and infrastructure projects	7	10,101	67%	11	29,494	59%
Interior decoration projects	1	49	1%	2	3,897	8%
Term contracts	5	4,777	32%	7	16,594	33%
Total	13	14,927	100%	20	49,985	100%

Revenue of the Group for the nine months ended 30 September 2020 amounted to approximately S\$14.9 million, representing a decrease of approximately 70.2% from approximately S\$50.0 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020 amounted to approximately S\$19.1 million, representing a decrease of approximately 58.4% from approximately S\$45.9 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 nine months ended 30 September 2020.

Gross Loss and Gross Loss Margin

Gross loss of the Group for the nine months ended 30 September 2020 amounted to approximately S\$4.2 million, as compared to the gross profit which amounted to S\$4.0 million for the corresponding period of the previous year.

The gross loss margin of the Group for the nine months ended 30 September 2020 was 28.2%, as compared to the gross profit margin of 8.1% 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 nine months ended 30 September 2020.

Other Income

The other income of the Group for the nine months ended 30 September 2020 increased by approximately S\$1.7 million from approximately S\$0.5 million for the nine months ended 30 September 2019 to approximately S\$2.2 million for the nine months ended 30 September 2020. The increase was mainly attributable to the compensation received from insurance claims for one of the projects for the amount of approximately S\$0.5 million and the government grants in view of the COVID-19 pandemic through Job Support Scheme and Wage Credit Scheme amounting to S\$1.5 million.

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\$15.6 million from approximately S\$81,000 for the nine months 30 September 2019 to approximately S\$15.6 million for the nine months ended 30 September 2020. The increase was mainly due to

MANAGEMENT DISCUSSION AND ANALYSIS

allowance for credit losses on contract assets from discontinued project with mutual consent and discontinued projects for the amount of approximately S\$4.4 million and an increase to allowance for credit losses on other receivables which comprises of backcharges due from third party subcontractor for the amount of approximately S\$15.6 million for the nine months ended 30 September 2020.

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\$0.4 million or approximately 6.9%, from approximately S\$5.8 million for the nine months ended 30 September 2019 to approximately S\$6.2 million for the nine months ended 30 September 2020. The increase 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 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\$80,000 or approximately 11.1%, from approximately S\$720,000 for the nine months ended 30 September 2019 to approximately S\$800,000 for the nine months ended 30 September 2020. The increase was mainly attributable to higher utilization of bills payables during the nine months ended 30 September 2020 to finance payments to our subcontractors on projects.

Income Tax Credit/Expenses

The Group has no income tax for the nine months ended 30 September 2020 (nine months ended 30 September 2019: S\$43,000).

(Loss)/Profit Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the nine months ended 30 September 2020 amounted to approximately S\$24.5 million, representing an increase of approximately S\$22.4 million from loss attributable to equity holders of the Company of approximately S\$2.1 million over the corresponding period of the previous year.

Interim Dividend

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



MANAGEMENT DISCUSSION AND ANALYSIS

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 30 September 2020, the Group had negative cash and cash equivalents of approximately S\$4.4 million (30 June 2020 approximately S\$2.7 million). The decrease in cash and cash equivalents was mainly attributable to payment to our trade payables and bill payables and there was a decrease in accounts receivable due to construction work which was being halted during circuit breakers which was put in place during the COVID-19 pandemic, during the nine months ended 30 September 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 borrowing, bank overdrafts, bill payables and lease liabilities, was approximately S\$24.9 million (30 June 2020: approximately S\$24.1 million). The current ratio, being the ratio of current assets to current liabilities was approximately 0.7 times as at 30 September 2020 (30 June 2020: approximately 1.0 times). As at 30 September 2020, the gearing ratio of the Group was negative 4.9 times (30 June 2020: 2.2 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 September 2020,

- (a) the Group had no pledged bank fixed deposits (30 June 2020: Nil);
- (b) the Group's properties with an aggregate carrying value of approximately S\$12.4 million (30 June 2020: S\$12.5 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\$1.2 million (30 June 2020 : S\$1.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

For the nine months ended 30 September 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 nine months ended 30 September 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.

On 18 August 2020, the Company and Easy Securities Limited entered into a placing agreement in respect of placement of 115,200,000 ordinary shares of HK\$0.01 each in the share capital of the Company at a price of HK\$0.08 per share. The placement was completed on 27 August 2020 resulting in net proceeds of HK\$9,042,000 after deduction of all relevant expenses incidental to the placing.

Contingent Liabilities

As at 30 September 2020, the Group had an outstanding performance bond for construction contracts, which were secured by corporate guarantee or personal guarantees given by certain Directors, amounted to approximately S\$24.7 million (30 June 2020: S\$24.7 million). The performance bonds are released when the construction contracts are practically completed. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

Legal Proceeding

As at 30 September 2020, the Group was 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 (Two), Project recreation Centre, Project Education, Project Hotel and Project Government 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\$0.7 million, being the total liquidated damages claimed by that subcontractor (30 June 2020: S\$0.8 million).

In addition, the Group received Writ of Summons from various creditors amounting to S\$6.8 million (30 June 2020: S\$7.3 million) in which the legal proceedings are still on going as at the date of this report.

Save as disclosed above and as at 30 September 2020, the Group did not have any other material contingent liabilities (30 June 2020: Nil).

Commitments

As at 30 September 2020,

- (a) the Group had no capital commitment (30 June 2020: Nil); and
- (b) the Group had operating lease commitment amounted to approximately S\$125,000 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 September 2020 (30 June 2020: S\$151,000), 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 nine months ended 30 September 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates, affiliated companies and joint ventures.

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 September 2020.

Significant Investments Held

As at 30 September 2020, the Group did not have any significant investment in equity interest in any other company and did not own any properties (30 June 2020: 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 30 September 2020, which is required to be disclosed under Rule 18.41(4A) of the GEM Listing Rules.

Employees and Remuneration Policies

As at 30 September 2020, the Group had 39 full-time staff, all were located in Singapore (30 September 2020: 193 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately S\$3.2 million for the three months ended 30 September 2020 as compared to approximately S\$5.1 million for the nine months ended 30 September 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.

THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2020

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020 S\$'000 (unaudited)	2019 S\$'000 (unaudited)	2020 S\$'000 (unaudited)	2019 S\$'000 (unaudited)
Revenue					
Cost of services	4	941 (4,769)	11,163 (10,776)	14,927 (19,132)	49,985 (45,944)
Gross (loss) Profit		(3,828)	387	(4,205)	4,041
Other income	5	1,068	202	2,249	463
Other gains or losses	6	(12,284)	(26)	(15,582)	(81)
Administrative expenses		(2,692)	(2,444)	(6,191)	(5,823)
Finance costs	7	(216)	(291)	(795)	(717)
Loss before tax		(17,952)	(2,172)	(24,524)	(2,117)
Income tax credit/(expense)	8	—	95	—	43
(Loss) for the period	9	(17,952)	(2,077)	(24,524)	(2,074)
Other comprehensive income: Gain on revaluation of properties		—	—	—	—
Total comprehensive (loss) for the period		(17,952)	(2,077)	(24,524)	(2,074)
(Losses) per share					
Basic and diluted (in SGD cents)	10	(3.1)	(0.4)	(4.3)	(0.4)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 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
Loss for the period	—	—	—	—	(2,074)	(2,074)
Gain on revaluation of properties	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—
At 30 September 2019 (unaudited)	846	7,722	6,500	3,042	859	18,969
At 1 January 2020 (Audited)	846	7,722	6,500	3,727	(2,757)	16,038
Loss and total comprehensive loss for the period	—	—	—	—	(24,524)	(24,524)
Issue of shares	3,445	—	—	—	—	3,445
At 30 September 2020 (unaudited)	4,291	7,722	6,500	3,727	(27,281)	(5,041)



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 Tech link, Singapore 567761.

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

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 13 November 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⁾	Definition of a business
Amendments to IAS 1 and IAS 8 ⁽ⁱⁱ⁾	Definition of material
Amendments to IFRS 9, IAS 39 and IFRS 7 ⁽ⁱⁱ⁾	Interest Rate Benchmark Reform

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

- (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 30 September		For the nine months ended 30 September	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Project works for:				
Building and infrastructure	603	5,566	10,101	29,494
Interior decoration	—	251	49	3,897
Term contracts	338	5,346	4,777	16,594
	941	11,163	14,927	49,985

Revenue are derived from the below customers:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Government and governmental bodies	399	4,485	8,519	38,974
Private companies	542	6,678	6,408	11,011
	941	11,163	14,927	49,985

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 30 September 2020, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S\$56.5 million (30 June 2020: S\$67.2 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	8,697	49	3,305	2,404	7,479
Customer II	2,862	6,118	—	596	1,046	4,724
Customer III	1,736	4,638	—	—	457	2,005
Customer IV	1,213	3,469	—	—	403	1,418
Customer V	753	2,325	—	—	379	745

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 30 September		For the nine months ended 30 September	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Government grant and subsidies ^(a)	1,009	5	1,480	22
Secondment income	—	147	7	298
Rental income	32	36	97	102
Sales of scrap metal	—	—	2	11
Sundry income	27	14	663	30
	1,068	202	2,249	463

- (a) The government grant and subsidies received mainly comprise the Wage Credit Scheme ("WGC")¹, Temporary Employment Credit ("TEC") Scheme², Special Employment Credit ("SEC")³ and Job Support Scheme Credit ("JSS")⁴ 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.

⁴ 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER GAINS OR LOSSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Loss on disposal of property, plant and equipment	(35)	(26)	(84)	(81)
Allowance for credit losses on contract asset	(1,141)	—	(4,390)	—
Allowance for credit losses on other receivables	(11,108)	—	(11,108)	—
	(12,284)	(26)	(15,582)	(81)

7. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)	2020 S\$'000 (Unaudited)	2019 S\$'000 (Unaudited)
Interest on:				
Bank borrowings	16	65	78	143
Bills payables	104	169	437	465
Finance leases	18	17	38	50
Bank overdrafts	78	40	242	59
	216	291	795	717

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	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")	—	81	—	(17)
Deferred tax	—	14	—	60
	—	95	—	43

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. (LOSS) PROFIT FOR THE PERIOD

	For the three months ended 30 September		For the nine months ended 30 September	
	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	63	255	227	765
Retirement benefit scheme contributions	12	10	25	28
	75	265	252	793
Other staff costs				
Salaries, allowances and other benefits	362	1,352	2,779	4,085
Retirement benefit scheme contributions	29	80	159	212
	391	1,432	2,938	4,297
Total staff costs	466	1,697	3,190	5,090
Audit fees paid to auditors of the Company:				
— Annual audit fees	35	33	104	101
Depreciation of property, plant and equipment	281	290	574	891
Depreciation of right-of-use assets	19	—	246	—
Loss on disposals of property, plant and equipment	35	26	84	81
Cost of materials recognised as expenses	(3)	995	1,760	1,690
Subcontractor costs recognised as expenses	2,942	9,041	12,720	40,309
Allowance for credit losses on contract asset	1,141	—	4,390	—
Allowance for credit losses on other receivables	11,108	—	11,108	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. (LOSS) EARNINGS PER SHARE

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
(Loss) Profit attributable to the owners of the Company (S\$)	(17,952,000)	(2,077,000)	(24,524,000)	(2,074,000)
Weighted average number of ordinary shares in issue	573,547,445	480,000,000	573,547,445	480,000,000
Basic and diluted earnings per share (S\$ cents)	(3.1)	(0.4)	(4.3)	(0.4)

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately S\$24,524,000 and the weighted average number of shares in issue for the nine months ended 30 September 2020 of 573,547,445 shares.

As a result of the new subscription of 115,200,000 shares, the loss per share was diluted to S\$4.3 for the nine months ended 30 September 2020. There were no convertible securities during the nine months ended 30 September 2020 and 2019.

11. CONNECTED PARTY TRANSACTIONS

Other than the compensations paid to the key management including Directors of the Company, there is no known related party or connect party transactions for the nine months ended 30 September 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 of the Company dated 22 October 2018.

As at 30 September 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 nine months ended 30 September 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 30 September 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:

Long Position in the Ordinary Shares and Underlying Shares of the Company

Interest in the Company

Name of director	Capacity/ Nature	Interests in ordinary shares					Aggregate interests	% 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 ^{Note}	Substantial shareholder	—	—	144,000,000	144,000,000	—	144,000,000	20.83%

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.

Save as disclosed above, as at 30 September 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 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	Total interests in ordinary shares	Total interest in underlying shares	Aggregate interests	% of the Company's issued voting shares
Bizstar Global	Beneficial owner	144,000,000	—	144,000,000	25.00%
Ms. Yap Lay Kheng ^{Note 1}	Interest of spouse	144,000,000	—	144,000,000	20.83%
Ace Peak Capital Group Pte. Ltd. ^{Note 2}	Beneficial owner	96,000,000	—	96,000,000	16.67%

Notes:

- 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.
- 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.

Save as disclosed above, as at 30 September 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

CONFLICT OF INTERESTS

Saved as disclosed above, during the nine months ended 30 September 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 nine months ended 30 September 2020. Save as to (i) the 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 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; and (ii) the Code A.5.1 of the CG Code, which requires the nomination committee of the Company (the "Nomination Committee") must be chaired by the Chairman of the Board or an independent non-executive Director comprise a majority of independent non-executive Directors. Following the resignation of Mr. Mahtani Bhagwandas and Mr. Ong Kim Huat on 30 September 2020 the numbers of independent non-executive Director of the Nomination Committee are fail to meet the requirements under code provision A.5.1 of the CG Code. On 23 October 2020, the Company appointed Mr. Lei Xiongpeng (Mr. Lei) as an independent non-executive Director of the Company, and as a member of the Nomination Committee together with Mr. Ho, Mr. Lau Wang Lap and Mr. Toh Hock Ghim as the Chairman of the Nomination Committee. Following the appointment of Mr. Lei and the change of composition of the Nomination Committee the Company has fully complied with the requirements under code provision A.5.1 of the CG Code.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 and A.5.1) 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 nine months ended 30 September 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 nine months ended 30 September 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 September 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 nine months ended 30 September 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 30 September 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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), Ms. Luk Huen Ling Claire and Mr. Lei Xiongpeng. 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020, there has been no changes in the constitutional documents of the Company.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The Group is principally engaged in the building construction, engineer and construction project management service and is actively involved as a main contractor in both private and public sector projects which include institutional, industrial, commercial and residential projects. The revenue was principally derived from project works of the Group's (i) building and infrastructure projects; (ii) interior decoration projects; and (iii) term contracts.



CORPORATE GOVERNANCE AND OTHER INFORMATION

However, as disclosed in the Company's annual report for the year ended 31 December 2019, the Group is operating in a highly competitive construction industry and in the meantime facing extremely challenging global and domestic environment with a prolonged period of uncertainty brought about by the COVID-19 virus. Facing these challenges, the Group has been actively exploring new business opportunities in order to maintain its competitiveness through cost control and exploring new revenues to bring higher returns for the Shareholders.

The Directors consider that it is in the interest of the Company and its Shareholders as a whole to broaden the income stream of the Group in the "big healthcare" business in the PRC, while the Company will continue its existing construction business. In connection with the development of the Group into the new "big healthcare" business, the Board believes that the adoption of Chinese name will better reflect the Group's future business planning and development, and the Board believes that the adoption of Chinese name will be beneficial to its future business development, and is in the best interest of the Company and the Shareholders as a whole. As disclosed in the circular of the Company dated 30 October 2020, an extraordinary general meeting of the Company will be held on 17 November 2020 for the purpose of considering and passing the special resolution of adoption of Chinese name of the Company.

Further announcement will be made by the Company in relation to the effective date of the adoption of Chinese name and the change in the Chinese stock short name.

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 nine months ended 30 September 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, 13 November 2020