HON CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8259)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Hon Corporation Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (together as the "**Group**") for the year ended 31 December 2019. This announcement, containing the full text of the 2019 annual report of the Group, have been reviewed by the audit committee of the Company, and complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM ("**GEM Listing Rules**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcements of annual results. Printed version of the 2019 annual report of the Company containing the information required by the GEM Listing Rules will be dispatched to the shareholders on 7 July 2020.

The Company's annual results announcement is published on the website of the Stock Exchange at http://www.hkgem.com and the Company's website at www.honindustries.com.sg.

By Order of the Board
Hon Corporation Limited
Ho Lien Hwai
Executive Director and Chief Executive Officer

Singapore, 29 June 2020

As at the date of this announcement, the executive Directors are Mr. Ho Lien Hwai and Ms. Teng Ley Peng; the non-executive Directors are Mr. Toh Hock Ghim and Mr. Luo Jiakun; and the independent non-executive Directors are Mr. Lau Wang Lap, Ms. Luk Huen Ling Claire, Mr. Mahtani Bhagwandas and Mr. Ong Kim Huat.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

This announcement will remain on the "Latest Company Announcements" page on GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.honindustries.com.sg.

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ho Lien Hwai*
(Chief Executive Officer)
Ms. Teng Ley Peng
(appointed on 20 December 2019)
Ms. Ng Mei Yun
(resigned on 20 December 2019)
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
(appointed on 30 November 2019)
Mr. Mahtani Bhagwandas
(appointed on 23 January 2020)
Mr. Ong Kim Huat
(appointed on 23 January 2020)
Mr. Chan Shun Yin
(resigned on 30 November 2019)
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. Chan Shun Yin
(resigned on 30 November 2019)
Ms. Luk Huen Ling Claire
(appointed on 30 November 2019
and resigned on 23 January 2020)
Mr. Ng Chye Kim
(resigned on 23 January 2020)

REMUNERATION COMMITTEE

Mr. Mahtani Bhagwandas *(Chairman)*
(appointed on 23 January 2020)
Mr. Ong Kim Huat
(appointed on 23 January 2020)
Ms. Luk Huen Ling Claire
(appointed on 30 November 2019)
Mr. Chan Shun Yin
(resigned on 30 November 2019)
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
(appointed on 30 November 2019)
Mr. Chan Shun Yin
(resigned on 30 November 2019)
Ms. Ng Mei Yun
(resigned on 20 December 2019)
Ms. Teng Ley Peng
(appointed on 20 December 2019
and resigned on 23 January 2020)
Mr. Lau Wang Lap
(resigned on 23 January 2020)

COMPANY SECRETARY

Mr. Ng Chit Sing

AUTHORISED REPRESENTATIVES

Mr. Ho Lien Hwai
Mr. Ng Chit Sing

COMPLIANCE OFFICER

Mr. Ho Lien Hwai

CORPORATE INFORMATION

REGISTERED OFFICE

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

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
6 Shenton Way
OUE Downtown 2
#33–00
Singapore 068809
(to be retired on 7 August 2020)

COMPLIANCE ADVISER

Fortune Financial Capital Limited
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
(Appointed on 1 April 2020)

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

STOCK CODE

8259

COMPANY WEBSITE

www.honindustries.com.sg

CEO'S STATEMENT

Dear Shareholders

Although it has been just a few months since the appointment of Mr. Toh Hock Ghim as the Chairman of the board (the "Board") of directors (the "Directors") of Hon Corporation Limited (the "Company", together with its subsidiaries, the "Group") in January 2020, Mr. Toh has witnessed the team spirit within the Group. With the strong support of the new Chairman of the Company and dedication of our staff, Mr. Toh and I are confident that we can steer the Group towards a new milestone with good prospect and financial performance leveraging on Mr. Toh's business connection and experience as a career diplomat as well as corporate governance in different business industries (especially in Singapore), the principal place of business of the Group.

On behalf of the Board, I am pleased to present the annual results of the Group to our shareholders and prospective investors of the Company for the year ended 31 December 2019 (the "Year").

Market overview and financial review of 2019 indicated that it was a year full of challenges. The overall market condition of the construction industry in Singapore was unfavourable and competitive throughout the Year. Following a difficult 2019, the management has devoted all their efforts to secure the shareholders' value by a series of strategic policies and plans, such as placement of shares/ rights issue providing an injection of capital to the Group for operation and financial sustainability as well as liquidity. In addition, Mr. Ho Lien Hwai, the controlling shareholder, chief executive officer and executive director of the Company, had even disposed part of his shares of the Company with an aim to finance the tight cash flow and ease the liquidity of the Group, if necessary, and as a result, the Group could operate the principal construction business in more efficient and effective ways going forward given the currently challenging business environment heightened by COVID-19 pandemic.

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.

Ho Lien Hwai
Chief Executive Officer

Singapore, 29 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The less favourable global and domestic environment with a prolonged period of uncertainty brought about by the COVID-19 virus is expected to keep the global and local economy in weakness. Going forward into the upcoming financial year 2020, and we are cognizant that we are operating in a highly competitive construction industry. Therefore, we will continue to monitor market conditions, be selective and strategic in our tender bids.

BUSINESS REVIEW AND PROSPECT

The core business and revenue structure of the Group has remained unchanged for the year ended 31 December 2019. The Group's operations are located in Singapore and our revenue from operations are solely derived from services rendered within Singapore. The Group is actively involved as a main contractor in both private and public sector projects which include institutional, industrial, commercial and residential projects. The revenue was principally derived from project works for our (i) building and infrastructure projects; (ii) interior decoration projects; and (iii) term contracts.

Our business strategies remained unchanged. For the year ended 31 December 2019, the management has continuously consolidated and strengthened the reputation of the Group through submission of tender invitations to keep our presence in the market. Leveraging on our listing status, our core business continued to gain good reputation and provided the Group with sound track record for our potential business opportunities. However, given the extremely competitive nature of the construction industry in Singapore, profit margins have been negatively impacted.

Looking forward, the Group will continue to focus on strengthening its market position in the building and construction industry in Singapore through the business connection and experience of Mr. Toh Hock Ghim as the newly appointed chairman of the Board in January 2020. In addition, the Group will leverage on our capability and track record in the building and construction industry for tendering new projects. In the year ahead, the Group will also remain vigilant in our cost and project management measures. Despite the unfavourable construction market conditions in Singapore, the Board expects that the Group is well-positioned for the challenges and competition ahead.

COMPLETED PROJECTS

During the year ended 31 December 2019, the Group had completed two projects with an aggregated contract value of approximately S$153.8 million.

ONGOING PROJECTS

As at 31 December 2019, the Group had nineteen ongoing projects, comprising ten building and infrastructure projects, two interior decoration project, and seven term contracts with an aggregate contract sum of approximately S$215.3 million, of which approximately S$110.9 million has been recognised as revenue as at 31 December 2019. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

The management considered that all of the ongoing projects were on schedule and none of which would cause the Group to indemnify the third parties and increase the contingent liabilities as at 31 December 2019.

Details of ongoing projects as at 31 December 2019 are as follows:

Sector	Project name	Scope of works	Contract sum S$ million
Public	Project Residential	Building and infrastructure — proposed construction and modification of electrical substations and common switch rooms	6.9
Public	Project Housing	Building and infrastructure — proposed upgrading and contingency works for residential project	20.7
Public	Project Education	Term contract — renovations and A&A works to facilities	9.0
Public	Project Government Centre	Term contract — A&A works and maintenance works	28.6
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 works	Contract sum S$ million
Public	Project Community Club	Term contract — servicing and maintenance works at community club	0.9
Public	Project Polytechnic	Interior decoration — proposed A&A works to existing block and convention centre	6.1
Public	Project Upgrading	Term contract — upgrading works for parks, open spaces and park connectors	15.5
Public	Project University	Term contract — building services and maintenance works	14.8
Private	Project Church	Building and infrastructure — proposed A&A works to existing building	7.0
Private	Project Hotel *(Note 1)*	Building and infrastructure — proposed A&A works for change of use to existing commercial building to hotel	17.5
Public	Project Government *(Note 1)*	Building and infrastructure — construction of reinforced concrete building, steel structure and ancillary works	47.0
Private	Project Private Residential 1 *(Note 1)*	Interior decoration — proposed A&A works to existing detached dwelling house with basement	1.6
Private	Project Private Residential 2 *(Note 1)*	Building and infrastructure — proposed erection of strata landed housing development	13.3
Public	Project Housing Development Board *(Note 1)*	Building and Infrastructure — Mechanical & Electrical Cyclical Improvement Works	5.5

Sector	Project name	Scope of works	Contract sum S$ million
Private	Project Social Care (Note 1)	Building and Infrastructure — Life Cycle Replacement of Domestic Water System	0.5

Note 1: Newly awarded projects for the year ended 31 December 2019.

NEWLY AWARDED PROJECTS

During the year ended 31 December 2019, the Group has secured six newly awarded projects comprising five building and infrastructure projects and one interior decoration project. Details of the newly awarded projects are included in the table sets forth our ongoing projects as at 31 December 2019 above. The aggregate contract value of the newly awarded projects amounted to approximately S$85.4 million.

FINANCIAL HIGHLIGHTS

Revenue decreased by approximately 27.8% to approximately S$68.2 million for the year ended 31 December 2019 from approximately S$94.4 million for the year ended 31 December 2018.

Gross profit decreased by approximately 72.9% to approximately S$2.9 million for the year ended 31 December 2019 from approximately S$10.7 million for the year ended 31 December 2018.

The gross profit margin of the Group for the year ended 31 December 2019 was 4.2%, representing a decrease of approximately 7.1 percent points from 11.3% for the year ended 31 December 2018.

Loss attributable to equity holders of the Company for the year ended 31 December 2019 amounted to approximately S$5.7 million, representing a decrease of approximately S$6.9 million from profit attributable to equity holders of the Company for the year ended 31 December 2018 of approximately S$1.2 million.

Loss per share for the year ended 31 December 2019 was approximately S$0.01.

The Board has resolved not to recommend any payment of final dividend for the year ended 31 December 2019 (2018: Nil).

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 years ended 31 December 2019 and 2018:

	For the year ended 31 December					
	2019			2018		
	Number of projects/ contracts	**Revenue (S$'000) (Audited)**	**% of revenue (%)**	Number of projects/ contracts	Revenue (S$'000) (Audited)	% of revenue (%)
Building and infrastructure projects (Note 1)	**12**	**41,268**	**60.5**	6	70,381	74.5
Interior decoration projects	**2**	**3,897**	**5.7**	3	6,009	6.4
Term contracts	**7**	**23,023**	**33.8**	6	18,020	19.1
Total	**21**	**68,188**	**100.0**	15	94,410	100.0

Note 1: Two projects were completed during the year ended 31 December 2019.

Revenue of the Group decreased by approximately 27.8% to approximately S$68.2 million for the year ended 31 December 2019 from approximately S$94.4 million for the year ended 31 December 2018. The decrease in our revenue was mainly due to:

(i) A substantial decrease in revenue from two major building and infrastructure projects as most of the construction works were completed in 2018; and

(ii) Delays in the construction progress on some of the awarded projects.

The effect of the above was partially offset by revenue contributed from the six newly awarded projects for the year ended 31 December 2019. However, as some of these newly awarded projects are at their early stage, the Group has recorded little revenue from these projects for the year ended 31 December 2019.

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 year ended 31 December 2019 amounted to approximately S$65.3 million representing a decrease of approximately 22.1% over the previous year. Such decrease was generally in line with our decrease in revenue during the year ended 31 December 2019.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 December 2019 amounted to approximately S$2.9 million, representing a decrease of approximately 72.9% for the year ended 31 December 2018.

The gross profit margin of the Group for the year ended 31 December 2019 was 4.2%, representing a decrease of approximately 7.1 percent points from 11.3% for the year ended 31 December 2018. The decrease in our gross profit margin was mainly due to lower gross profit margins for the new projects in 2019 attributable to an increasing competition in the unfavourable building and construction industry in Singapore.

Other income

The other income of the Group decreased by approximately S$1.1 million or 61.1% from approximately S$1.8 million for the year ended 31 December 2018 to approximately S$0.7 million for the year ended 31 December 2019. The decrease was mainly due to (i) a decrease of approximately S$0.8 million in engineering service income; (ii) a decrease of approximately S$0.4 million in rental income; and (iii) a decrease of approximately S$0.3 million in sales of scrap metal. These were partially offset by an increase of approximately S$0.4 million in secondment income during the year ended 31 December 2019.

Other losses

The other losses of the Group increased by approximately S$0.6 million from approximately S$0.2 million for the year ended 31 December 2018 to approximately S$0.8 million for the year ended 31 December 2019. The increase was mainly due to recognition of loss allowance on trade receivables for the financial year ended 31 December 2019.

Administrative Expenses

The administrative expenses of the Group, mainly comprised of staff cost, rental expenses and professional and compliance fees. The administration expenses of the Group decreased by approximately S$1.7 million or approximately 18.3% from approximately S$9.3 million for the year ended 31 December 2018 to approximately S$7.6 million for the year ended 31 December 2019. The decrease was mainly attributable to the decrease in professional fees incurred during the year ended 31 December 2019 which were partially offset by an increase of approximately S$1.0 million in legal fee.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

The finance costs of the Group comprised mainly interest expenses on borrowings and bills payables from bank and financial institutions and finance leases for certain motor vehicles, plant and machinery and office equipment and lease liabilities. The finance cost of the Group increased by approximately S$0.5 million or approximately 83.3% from approximately S$0.6 million for the year ended 31 December 2018 to approximately S$1.1 million for the year ended 31 December 2019. The increase was mainly due to a higher utilisation of bills payables during the year ended 31 December 2019 to finance payments to our subcontractors on projects and adoption of IFRS 16 Leases from 1 January 2019 onwards.

Income Tax Credit/Expenses

The Group has no income tax for the year ended 31 December 2019 (2018: approximately S$1.2 million) and has income tax credit of approximately S$184,000. The decrease in income tax was mainly attributable to the decrease in assessable profits for the year.

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

Loss attributable to equity holders of the Company for the year ended 31 December 2019 amounted to approximately S$5.7 million, representing a decrease of approximately S$6.9 million from profit attributable to equity holders of the Company for the for the year ended 31 December 2018 of approximately S$1.2 million.

Liquidity and Financial Resources

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

As at 31 December 2019, the Group had negative cash and cash equivalents of approximately S$4.1 million (31 December 2018: positive cash and cash equivalents approximately S$5.0 million). The significant decrease in cash and cash equivalents was mainly attributable to more prompt payment to our trade payables and prepayment to certain subcontractor for newly awarded projects.

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

The total interest-bearing borrowings, including bank overdraft, bank borrowings, bills payables, and obligations under finance leases, was approximately S$30.3 million (31 December 2018: approximately S$19.7 million). The current ratio, being the ratio of current assets to current liabilities was approximately 1.0 times as at 31 December 2019 (31 December 2018: approximately 1.2 times). As at 31 December 2019, the gearing ratio of the Group was 1.8 times (31 December 2018: 0.9 times). The gearing ratio is calculated as total debts (borrowings, lease liabilities, finance lease obligations, and bills payables) divided by total equity.

Pledge of Assets

As at 31 December 2019,

(a) the Group had pledged bank fixed deposits of approximately S$3.3 million (31 December 2018: S$0.8 million) as collateral to securing certain bills payables and borrowings granted to the Group;

(b) the Group's properties with an aggregate carrying value of approximately S$12.3 million (31 December 2018: S$12.3 million) were also pledged for mortgage to securing certain bank loans, bills payables and borrowings granted to the Group; and

(c) the Group's lease liabilities was secured by the lessor's title to the leased asset, which had a carrying amount of approximately S$1.5 million (31 December 2018: obligation under finance lease S$1.6 million).

Foreign Exchange Exposure

For the year ended 31 December 2019, the headquarters and principal place of business of the Group is in Singapore with our revenue and cost of services mainly denominated in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries.

The Group retains insignificant amount of net proceeds from the share offer denominated in Hong Kong dollars that have 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 year ended 31 December 2019, the Group has not entered into any agreement or committed 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 for the year ended 31 December 2019.

Contingent Liabilities

As at 31 December 2019, the Group had an outstanding performance bond for construction contracts, which were secured by corporate guarantee and personal guarantees given by certain Directors, amounted to approximately S$21.0 million (31 December 2018: S$14.6 million). The performance bonds are released when the construction contracts are practically completed. At the date of this report, the Company is in the progress to release and replace all personal guarantees provided by Directors in relation to the performance bonds with corporate guarantee.

Legal Proceeding

As at 31 December 2019, the Group was not involved in any legal proceedings which may have material contingent liabilities and adversely affect the financial position of the Group and did not have any other material contingent liabilities (31 December 2018: S$72,000).

Commitments

As at 31 December 2019,

(a) the Group had no capital commitment (31 December 2018: S$279,000);

(b) the Group had operating lease commitment amounted to approximately S$203,000 in relation to the minimum rent payable under non-cancellable leases for two properties for our head office (31 December 2018: S$307,000), 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; and

(c) the Group had no future minimum rent income receivable under contracts with tenants in relation to the Group's properties held with committed tenants for the year ended 31 December 2019 (31 December 2018: S$51,000).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the year ended 31 December 2019, the Group did not have any material acquisitions and disposals of subsidiaries, associates, affiliated companies and joint ventures.

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 Year.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the section headed "Future plans and use of proceeds" in the Prospectus, the Group did not have other plans for material investment or capital assets as at 31 December 2019.

Significant Investments Held and Principal Properties

Except for investment in its subsidiaries and properties held by the Group, the Group did not hold any significant investments during the year ended 31 December 2019.

Securities Investments

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 December 2019, which is required to be disclosed under Rule 18.41(4A) of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policies

As at 31 December 2019, the Group had a total of 207 employees (31 December 2018: 236 employees), all were located in Singapore including executive Directors. Total staff costs (including Directors' emoluments) were approximately S$7.0 million for the year ended 31 December 2019 as compared to approximately S$8.7 million for the year ended 31 December 2018.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 year ended 31 December 2019:

Business plan as set out in the Prospectus	Actual business progress as at 31 December 2019
Recruitment of addition staff (senior supervisors, skilled workers and operators) in order to further strengthen our manpower	The Group had employed 16 new staff for the six months ended 31 Dec 2019. The Group is still in the process of identifying quality candidates for the remaining open positions. Currently, 6 newly awarded projects of the Company are at their early stages of work, and there are prolongation in Authority approvals. The Company will assess the project schedule and tie in accordingly the employment of these personnel.
Acquisition of additional machinery and equipment for business expansion and consolidation of market position	The Group had purchase 4 units of machines for building construction and general contractor works. Currently, 6 newly awarded projects of the Company are at their early stages of work, and there are prolongation in Authority approvals. The Company will assess the project schedule and tie in accordingly the purchase of these equipments.
Reconfiguration of our current properties and rental of new office	The Group had renovated and reconfigured office at 20 Ang Mo Kio Industrial Park 2A and 52 Tuas View Square.
Purchase of software and provision of staff training to enhance productivity	The Group had purchase the IT products and enrolled staff for courses regularly. These products includes new computers for staff, upgrading of server software, training courses.
General working capital	The Group paid for professional fees, travelling expenses, maintenance of property, insurances, network and software maintenance through the net proceeds from share offer.

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 new shares. 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 utilised as at 31 December 2019. 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 of 31 December 2019, the Group does not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed with licenced bank in Singapore and Hong Kong.

The Company expects to utilize all the remaining net proceeds by 31 December 2020.

As at 31 December 2019, the net listing proceeds has been applied and utilized as follows:

Use of net proceeds	Total net proceeds from share offer (S$'000)	Total remaining net proceeds available as at 1 January 2019 (S$'000)	Planned use of net proceeds for the year ended 31 December 2019 (S$'000)	Utilized for the year ended 31 December 2019 (S$'000)	Total remaining net proceeds available as at 31 December 2019 (S$'000)	Expected timeline to fully utilize the remaining net proceeds
Recruitment of addition staff	2,025	2,025	1,200	368	1,657	31 December 2020
Acquisition of additional machinery and equipment	1,801	1,801	1,728	122	1,679	31 December 2020
Reconfiguration of our current properties and rental of new office	180	—	—	—	—	—
Purchase of software and provision of staff training to enhance productivity	45	45	45	45*	—	—
General working capital	450	202	202	202*	—	—
Total	4,501	4,073	3,175	737	3,336	

* All proceeds have been utilized as at 30 June 2019. Please refer to the 2019 interim report published on 14 August 2019 and supplemental announcement of the Company dated 10 October 2019 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The epidemic of Coronavirus Disease 2019 (the "COVID-19 pandemic") subsequent to the reporting period has adversely affected the business and economic activities of the Group as construction activities have to be halted during the "Circuit Breaker" period in Singapore from 7 April 2020 to 1 June 2020. In Phase 1 of the post "Circuit Breaker" period, the Group was also unable to resume construction activities on its ongoing projects. As Singapore moves into Phase 2 of the post "Circuit Breaker" period from 19 June 2020, there is still no certainty of resumption as approval has not been obtained from the authorities. As the situation is fluid and rapidly evolving, the Group is expected to incur a loss for the first half of 2020 and the liquidity position of the Group will be adversely impacted. Notwithstanding this and as disclosed in Note 1 to the consolidated financial statements, management and directors have assessed that the Group and the Company will have sufficient financial resources to enable the Group and the Company to continue as a going concern for at least the next twelve months from the date of authorisation of these financial statements.

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

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

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.

Up to the date of this report, the net proceeds from the allotment of the subscription shares has been fully applied and utilized as planned as disclosed in the announcement of the Company dated 18 February 2020. The Directors are not aware of any material change to the use of proceeds from the allotment of the subscription shares.

The Group received demand letters from several financial institutions ("primary lenders") to demand repayment of bills payables and borrowings amounting to S$17,401,000. As at the date of authorisation of these financial statements, the Group is in negotiations with the primary lenders to defer the payments on an instalment basis.

The Group received a proposed winding up application of HIPL. Following the High Court hearing on 12 June 2020, management settled the claim with the plaintiff amounting to S$240,000.

The Group received Writ of Summons from various creditors amounting to S$7,223,000 in which the legal proceedings are still on going as at the date of authorisation of these financial statements.

Saved as disclosed above and in note 45 to the consolidated financial statements, up to the date of this report, there was no other significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2019.

OTHER INFORMATION

Disclaimer of Opinion Issued by the Company's Auditors

As disclosed in the independent auditor's report and note 1 to the financial statement, the auditor of the Company issued a disclaimer of opinion relating to the going concern in the consolidated financial statements of the Company for the year ended 31 December 2019 ("Audit Qualification").

Board's View and Audit Committee's View

The Board agreed with the auditor's view in respect of the disclaimer of opinion and the management of the Group (the "Management") had assessed the Group's current liquidity, performance and available sources of financing in considering the Group's ability to continue as a going concern. The controlling shareholder and the Management has also taken or will continue to implement the measures to mitigate the Group's liquidity pressure and improve the conditions of cash flow, and on the assumption of successful and continued implementation of such measures, and taking into account a 12 months consolidated cash flows forecasts for the period ending 30 June 2021, the Management is satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis. The Board and the Management are of the view that the Group will, based on the execution of action plan (as detailed below), have sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date.

The audit committee of the Company had reviewed the disclaimer of opinion and also the Management's position and their view as well as action plan of the Group to address the related issue. The Audit Committee is in agreement with the Board and the Management in relation to the disclaimer of opinion and the Group's ability to continue as a going concern, and in particular the actions or measures to be implemented by the Management or the Group.

The audit committee's views are based on (i) a review of action plan to address the disclaimer of opinion (with assumption and continued implementation) and a 12 months consolidated cash flows forecasts for the period ending 30 June 2021; and also (ii) discussions between the audit committee and the auditor and the Board at the audit committee meeting and Board meeting held on 29 June 2020, respectively, regarding the disclaimer of opinion.

The audit committee is of the view that the Board should continue its efforts in implementing the actions and measures set out in the action plan with the intention of mitigating the Group's liquidity pressure and removing the disclaimer of opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

ACTION PLAN TO ADDRESS THE DISCLAIMER OF OPINION

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 intends to continue to implement the following measures to mitigate the liquidity pressure and to improve its cash flows, including:

i. Subject to the resumption of construction works due to "circuit breaker" in Singapore, the Group will resume all the construction activities to generate income.

ii. Management is actively engaged in negotiations with the primary lenders to defer the payments for the bills payables and borrowings amounting to S$17,401,000 on an instalment basis.

iii. Management is negotiating with bankers to secure necessary facilities (including the utilized banking facilities not being withdrawn) to meet the Group's working capital and financial requirements. Management expects the Group to receive a new bank loan facility of S$3,500,000 in August 2020.

iv. The Group has been arranging for settlement of part of the trade payables outstanding to its creditors. The Group has ongoing communication with its creditors, and monitored closely any settlement requests of trade payables. The Group will further negotiate with its creditors and agree on the settlement arrangements beyond the credit period where applicable including successful settlement of the legal proceedings with creditors who have served Writ of Summons to the Group, so as to ensure that no action or any further legal action will be taken by the creditors to demand immediate repayment, which may include winding up applications.

v. The Group may consider to raise additional new capital by carrying out fund raising activities through private placement of new shares.

vi. The Group will continue its cost control measure over various costs with an aim to attain profitable and positive cash flow operations.

IMPACT OF THE AUDIT QUALIFICATION ON THE COMPANY'S FINANCIAL POSITION

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify noncurrent assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2019.

REMOVAL OF THE DISCLAIMER OF OPINION

The Board is aware of the disclaimer of opinion relates to a going concern issue, in preparing the financial statements for the year ending 31 December 2020, and will be responsible for assessing the Group's and the Company's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis, based on the conditions and circumstances as at 31 December 2020.

The Management's assessment of the Group's and the Company's ability to continue as a going concern as at 31 December 2020 would need to take into consideration of the conditions and circumstances and also include at least 12 months consolidated cash flows forecasts from 31 December 2020.

Therefore, assuming all the above action plan can be implemented as planned, there are no other material adverse changes to the business, operation and financial conditions of the Group's and the Company's and satisfactory completion of review of the Management's assessment of the Company's going concern, together with sufficient and appropriate evidence, the Board believes that there will be reasonable basis upon which the disclaimer of opinion would to be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 31 December 2020.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

Executive Directors

Mr. Ho Lien Hwai ("Mr. Ho"), aged 53, is an executive Director and the Chief Executive Officer and one of the controlling shareholders (the "Controlling Shareholders") (within the meaning of the GEM Listing Rules) of our Company. He was appointed as managing director of our Group in January 2003 and a Director on 8 February 2018, and re-designated as an executive Director on 16 March 2018. Mr. Ho is one of the founders of our Group and has been serving as a director of Hon Industries Pte. Ltd. and Energy Turbo Limited since November 2002 and February 2018 respectively. Mr. Ho is responsible for the overall management and strategic planning of the growth and operation of our Group.

Mr. Ho graduated from The National University of Singapore with a Degree of Bachelor of Engineering (Civil) in July 1991 and has successfully completed a number of building construction and management courses from 1992 to 2009.

He has over 29 years of experience in the construction industry. Prior to founding our Group, Mr. Ho had worked as project engineer, project manager and project director of various companies in Singapore which are principally engaged in the business of construction of buildings and civil engineering.

Ms. Teng Ley Peng ("Ms. Teng"), aged 47, was appointed as an executive Director on 20 December 2019. Ms. Teng joined Hon Industries Pte Ltd, a wholly-owned subsidiary of the Company, in June 2017 and worked as manager for the period from June 2017 to December 2017, and corporate compliance manager for the period from January 2018 to February 2019, both in building construction segment of the Group. Since March 2018, Ms. Teng also acts as chief administrative officer and is responsible for corporate governance, human resources and information technology related matters of the Group.

Ms. Teng has over 16 years of experience in marketing, procurement and business development sectors. Ms. Teng obtained a diploma in fine art/design from LASALLE College of the Arts in 1993.

Non-executive Directors

Mr. Toh Hock Ghim ("Mr. Toh"), aged 78, was appointed as the non-executive Chairman and a non-executive Director of the Company on 10 January 2020.

Mr. Toh has experience as a career diplomat as well as corporate governance in different business industries. He is currently an independent non-executive director of FDG Kinetic Company Limited (Hong Kong stock code: 0378) since July 2008. Mr. Toh is an independent non-executive director of AnAn International Limited (Singapore stock code: Y35) since December 2011. He is also the non-executive chairman and independent non-executive director of DiSa Limited since January 2008 (Singapore stock code: 532), both companies whose shares are listed on the Singapore Exchange Securities Trading Limited, and an independent director of Auralite Investments Inc. (a company whose shares are listed on the Toronto Stock Exchange in Canada) since December 2018.

Mr. Toh was the independent director of Lifebrandz Ltd. (Singapore stock code: 1D3) from January 2015 to April 2017 and AGV Group Limited (Singapore stock code: 1A4) from April 2016 to January 2019, and the independent director of Fourth-Link Inc. (Korea stock code: 056730) (a company whose shares are listed on the Korea Exchange) from April 2017 to September 2018.

Mr. Toh joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, Philippines, Thailand, Vietnam, Hong Kong and Macau. He was the Singapore Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in Hong Kong and Macau from February 2002 to December 2007. He was appointed as the Senior Advisor to the Ministry of Foreign Affairs of Singapore upon retirement from the foreign service at the end of 2007. Mr. Toh obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore in 1966.

Mr. Luo Jiakun ("Mr. Luo"), aged 47, graduated from China University of Geosciences with Bachelor of Civil Engineering degree and started to engage in the production management function in 1995. Since 2000, Mr. Luo has started various companies in China to develop his businesses in the town construction and city planning field as well as the corporate management field. Mr. Luo has extensive experience in project coordination and management in different industries including manufacturing, education, consulting, finance, investment, etc. Since June 2016, Mr. Luo has served as the managing director of an investment management company where he mainly provides consulting services to corporate clients on project selection and coordination, as well as merger and acquisition.

Independent Non-executive Directors

Mr. Lau Wang Lap ("Mr. Lau"), aged 41, was appointed as an independent non-executive Director on 4 October 2018. He is the chairman of the Audit Committee of our Company.

Mr. Lau graduated from the City University of Hong Kong with a Degree of Bachelor of Business Administration in Accountancy in November 2003. Mr. Lau became a member of the Hong Kong Institute of Certified Public Accountants in May 2007. Mr. Lau obtained a Degree of Master of Business Administration from the University of Strathclyde through distance learning in November 2013.

Mr. Lau has over 16 years of experience in accounting and finance. Since November 2011, he has been working with Bortland Bros. Consulting Limited as managing director, where he is mainly responsible for internal control review, tax planning and provision of consulting services. In addition, Mr. Lau was appointed as an independent non-executive director of Tai Kam Holdings Limited (stock code: 8321) since May 2019.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

Ms. Luk Huen Ling Claire ("Ms. Luk") (formerly known as "Luk Yung Yung Claire 陸蓉蓉"), aged 41, was appointed as an independent non-executive Director on 30 November 2019. She is the member of the nomination committee and remuneration committee of the Company.

Ms. Luk obtained a bachelor's degree in fine arts from the Hong Kong Academy for Performing Arts in July 2003 and a master's degree of business in marketing from the University of Technology, Sydney, Australia in March 2010.

Ms. Luk has over 12 years of experience in corporate communications and marketing. She worked as head of communications, Asia at Aedas Limited between March 2010 and December 2010. From November 2006 to May 2008 she worked as a wardrobe manager at the Ocean Park, one of the largest theme parks in Hong Kong where she was responsible for sections strategic planning, administration and management of all wardrobe staff. In addition, Ms. Luk also gained experiences in marketing, business development and investor relation activities in previous engagements. She joined Roma Group Limited (stock code: 8072) as a senior consultant in December 2008 and became marketing director of the group in February 2011. In November 2014, Ms. Luk founded ST8GE Group Limited, a company specialising in corporate training and team building. Ms. Luk was an independent non-executive director of China Bio Cassava Holdings Limited (currently known as "Cloud Investment Holdings Limited") (stock code: 8129) from February 2017 to April 2017.

Ms. Luk has been appointed as an independent non-executive director of Season Pacific Holdings Limited (stock code: 1709) and Cool Link (Holdings) Limited (stock code: 8491) since September 2015 and February 2019, respectively.

Mr. Mahtani Bhagwandas ("Mr. Bhagwandas"), aged 52, has been appointed as an independent non-executive Director of the Company with effect from 23 January 2020. He is also the chairman of remuneration committee; and a member for each of audit committee and nomination committee of the Company.

Mr. Bhagwandas has been practicing as an advocate and solicitor of the Supreme Court of Singapore since March 1993 and is currently a senior partner of LegalStandard LLP, a law firm in Singapore which specializes in commercial and corporate practice. He graduated from National University of Singapore with a Bachelor of Laws (Hons) degree in 1992.

Mr. Bhagwandas is an independent director for each of GRP Limited (SGX: BLU) and Natural Cool Holdings Limited (SGX: 5IF) from June 2013 and December 2018 respectively, both companies listed on the Singapore Stock Exchange Limited. Mr. Bhagwandas is also a director of a public company incorporated in India, namely Komorrah Limestone Mining Co. Ltd since July 2015.

Mr. Bhagwandas previously acted as an independent director of GKE Corporation Limited (SGX: 595), a company listed on the Singapore Exchange from December 2002 to 2015. He was also independent director of Alliance Mineral Assets Limited (SGX: 40F) from 2014 to 2018 and SBI Offshore Limited (SGX: 5PL) from 2012 to 2018.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

Mr. Ong Kim Huat ("Mr. Ong"), aged 58, has been appointed as an independent non-executive Director of the Company with effect from 23 January 2020. He is also the chairman of nomination committee; and a member for each of audit committee and remuneration committee of the Company.

Mr. Ong began his professional career from 1986 to 2007 in different international companies, namely CL Computers, American Express, Visa International, Reed Elsevier and Publicis. Mr. Ong started RedDot Publishing Inc which specializes in providing media solutions to the tourism industry. Since 2007, he has been serving as RedDot Publishing's Managing Director. Mr. Ong graduated from the University of Oregon, USA with a Bachelor of Science degree in 1986.

Mr. Ong was a Member of Parliament and Advisor to grassroots organisations from 2011 to 2016. He was also Chairman of Jurong Town Council during that period.

Senior management

Mr. Tan Cheng Kiang ("Mr. CK Tan"), aged 55, is the Chief Marketing Officer of our Group. He is primarily responsible for defining marketing strategies to support our Group's overall strategies and objectives. Mr. CK Tan joined our Group in March 2008 as M&E associate director and he was promoted to project director, deputy managing director and Chief Marketing Officer of our Group in July 2010, November 2015 and July 2017 respectively.

Mr. CK Tan obtained a Diploma in Public Health Engineering from Ngee Ann Polytechnic in Singapore in August 1986 and an Advanced Diploma in Building Services Engineering by Ngee Ann Polytechnic in Singapore in August 1994. Mr. CK Tan subsequently obtained a Degree of Bachelor of Technology (Mechanical Engineering) from The National University of Singapore in December 2002.

Mr. CK Tan completed the OHSAS 18001:2007 Transition Auditor Training Course in October 2008 and the ISO 9001:2008 QMS Internal Auditor Training Course in September 2009 offered by JQ Management Pte Ltd.

Prior to joining our Group, Mr. CK Tan worked in Hussmann Tempcool (Singapore) Pte Ltd between July 1991 and August 2005, during which he worked as assistant engineer since July 1991 and he was promoted to project engineer in July 1993 and manager of the air-conditioning division in March 2003. He worked as a project director in Johnson Controls (S) Pte Ltd from September 2005 to February 2008, where he was primarily responsible for the management of mechanical and electrical installations.

Mr. Tan Jit Pin Daniel ("Mr. JP Tan"), aged 48, is the Deputy Chief Operating Officer of our Group since April 2019. He is responsible for overseeing the day-to-day operations and project management and resources allocation of our Group. Mr. JP Tan joined our Group in October 2014 as construction manager and was promoted to the Deputy Chief Operating Officer in April 2019.

Mr. JP Tan obtained '0' level in 1988 and completed the National Certificate in Construction Supervision and Building Construction Safety Supervisors Course both in 1997, completed ISO 14001:2015 & 18001:2007 Internal Auditor Training Course and Certified CONQUAS/QM Managers Course both in 2018, and Special Diploma in Construction Productivity in 2019.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

Prior to joining our Group, Mr. JP Tan worked in various sizeable construction companies for about 14 years with positions from senior site supervisor, project manager, general manager, senior project manager to project director.

Mr. Ng Chit Sing ("Mr. Ng") was appointed as our company secretary in March 2018. He is the chief executive officer of IN Corporate Services Limited specialising in the provision of corporate secretarial services to listed issuers and private companies.

Mr. Ng is currently acting as named company secretary/joint company secretary of certain companies listed on the Main Board or GEM of the Stock Exchange. Mr. Ng was admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England in July 2000. Mr. Ng received a Bachelor's Degree in Social Sciences in 1996 and a Bachelor's Degree in Laws in August 2008.

REPORT OF THE DIRECTORS

The Board of Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group (the "Consolidated Financial Statements") for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company and the Group is principally engaged in the provision of construction services. The Group 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 for our (i) building and infrastructure projects; (ii) interior decoration projects; and (iii) term contracts. Details of the principal activities of the principal subsidiaries of the Company are set out in Note 6 to the Consolidated Financial Statements.

The results of the Group for the Year are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 92 in this report.

The business review of the Group for the Year together the future business development are set out in the section headed "Management Discussion and Analysis" on pages 6 to 21 of this annual report. The discussion therein forms part of the report of Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are committed to building an environmentally-friendly corporation and minimising our impact on the environment. Discussion on the environmental policies and performance is set out in the section headed "Environmental, Social and Governance Report" on pages 60 to 87 in this report. The discussion therein forms part of the report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

Sufficient resources and training have been allocated and provided to ensure the on-going compliance with applicable laws and regulations.

The Group is principally engaged in the provision of construction services in Singapore and is thus subject to the rules and regulations implemented by the Energy Market Authority of Singapore and the Public Utilities Board, which regulate activities of contractors. The Company confirmed that save as disclosed below, the Group had obtained all the registrations and certifications required for its business and operations in Singapore, and had complied with the applicable laws and regulations in Singapore in all material respects during the Year.

During the year ended 31 December 2019, the Board was not aware of any materials non-compliance with the relevant laws and regulations that have material impacts on the Group's business where the Group is operating. Please refer to the "Environmental, Social and Governance Report" for details on the Group's compliance in environmental and social aspects.

REPORT OF THE DIRECTORS

RELATIONSHIP WITH KEY PARTIES

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders.

Customers

Our customers include (i) Singapore Government agencies; and (ii) private companies in Singapore. Open tenders put up by Singapore Government agencies are posted on GeBIZ while tenders for private organisations are mainly by invitation. In addition, we routinely monitor BCI Asia for new tender opportunities in both the public and private sectors in the building and construction industry in Singapore. Also, we are often given referrals for private sector customers by architects or external consultants with whom we have good working relationships with.

During the Year, revenue derived from the Group's top five customers accounted for approximately 89.5% (31 December 2018: 98.1%) of the total revenue.

Suppliers and subcontractors

We maintain good working relationships with our subcontractors and suppliers and do not foresee any material difficulties in sourcing for services and materials in the future. Our project team will hold regular meetings with our subcontractors to discuss progress and issues (if any) encountered or anticipated in a project.

Employees

The Group regards its employees as one of its most important and valuable assets. We strive to reward and recognise employees who demonstrate outstanding performance by providing a competitive remuneration package, appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

We also place great importance in establishing a safe and healthy work environment for our employees. To ensure the quality of our services, the Group has established a set of environmental, health and workplace safety ("EHS") policies and have committed to high safety standard and environmental impact control. We have been continuously accredited with safety certifications such as ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007 and bizSAFE STAR certifications for our building and construction services, a testament to the systems and procedures that we have in place to deliver high quality services and that conform to Singapore's EHS regulations.

Shareholders

The principal goal of the Group is to maximise the return to the shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

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. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarised below:

1. **Market risk**

   Our Group is dependent on the building and construction industry in Singapore, which is subject to fluctuations. A downturn in the building and construction industry in Singapore and unforeseeable circumstances such as postponement, delay or cancellation of construction projects may lead to a delay in recovery of receivables, which may adversely affect our business, profitability and liquidity of the Group.

2. **Customer concentration risk**

   As at 31 December 2019, our top five customers accounted for over 64.6% 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. There is no assurance that these top five customers will continue to use our services at fees acceptable to our Group. If any of our top five customers were to terminate their business relationship with us entirely, there can be no assurance that we would be engaged by other customers to replace any such loss. In addition, if any of our customers fail to settle our invoice in accordance with the agreed credit terms, our Group's working capital position may be adversely affected. Bad debt provisions or write-offs may also be required for receivables, which will have an adverse effect on our profitability. If there is a change in our customers' creditworthiness, our results of operations would be materially and adversely affected.

3. **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.

4. **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 licenced 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.

SHARE CAPITAL

As at 31 December 2019, 480,000,000 shares of the Company were in issue. Details of the movement in share capital during the Year are set out in Note 28 to the Consolidated Financial Statements.

Subsequent to the year ended 31 December 2019 and on 18 February 2020, the Company has allotted 96,000,000 shares of the Company to a subscriber.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the Consolidated statement of changes in equity on page 95 to the Consolidated Financial Statements.

As at 31 December 2019, no reserve was available for distribution to the owners of the Company.

DIVIDEND

The Board has resolved not to recommend the declaration of a final dividend to shareholders of the Company for the Year (2018: Nil).

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares for the year ended 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in Note 15 to the Consolidated Financial Statements.

CHARITABLE DONATIONS

During the Year, charitable and other donations made by the Group amounted to approximately S$1,000 (31 December 2018: S$1,000).

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company (as defined below), no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 41 to 59 in this report.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on 7 August 2020 (Friday) and the notice convening such meeting will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 August 2020 (Tuesday) to 7 August 2020 (Friday) (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road North Point, Hong Kong for registration not later than 4:30 p.m. on 3 August 2020 (Monday).

FOUR YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last four financial years is set out on page 172. This summary does not form part of the Consolidated Financial Statements.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

The percentages of purchases and sales for the Year attributable to the Group's major suppliers, sub-contractors and customers are as follows:

Purchases	
— the largest supplier	1.2%
— five largest suppliers in aggregate	3.2%
Sub-contracting cost	
— the largest sub-contractor	23.7%
— five largest sub-contractors in aggregate	61.5%
Sales	
— the largest customer	18.9%
— five largest customers in aggregate	64.6%

During the Year, none of the Directors, their respective close associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest customers or suppliers or sub-contractors.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who held office during the Year and up to the date of this report were:

Executive Directors

Mr. Ho Lien Hwai* *(Chief Executive Officer)*
Ms. Teng Ley Peng (appointed on 20 November 2019)
Ms. Ng Mei Yun (resigned on 20 November 2019)
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 (appointed on 30 November 2019)
Mr. Mahtani Bhagwandas (appointed on 23 January 2020)
Mr. Ong Kim Huat (appointed on 23 January 2020)
Mr. Chan Shun Yin (resigned on 30 November 2019)
Mr. Ng Chye Kim (resigned on 23 January 2020)

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of one year, which may be terminated by not less than three months' notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service contract/letter of appointment.

In accordance with the Article 83(3) of Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Ms. Teng Ley Peng, Mr. Toh Hock Ghim, Mr. Luo Jiakun, Ms. Luk Huen Ling Claire, Mr. Mahtani Bhagwandas and Mr. Ong Kim Huat shall retire from office at the AGM to be held on 7 August 2020. All of the retired Directors, being eligible, offer themselves for re-election, at the AGM.

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract/letter of appointment which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION ON INDEPENDENCE

Each of the independent non-executive Directors (including the former Director who resigned before the date of this report) has made an annual written confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. Accordingly, the Company is of the view that all independent non-executive Directors (including former Directors) and their respective immediate family members meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines for the Year and up to the date of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

REPORT OF THE DIRECTORS

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

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change of information of Director(s) since the publication of interim report of the Company for the six months ended 30 June 2019 was as follows:

The monthly salary of Mr. Ho Lien Hwai, an executive Director and chief executive officer of the Company, has reviewed and adjusted from S$30,000 per month to S$20,000 per month since January 2020, and further adjusted to S$16,400 per month since March 2020.

Mr. Lau Wang Lap was appointed as an independent non-executive director of Tai Kam Holdings Limited (stock code: 8321) since May 2019.

Save for the information disclosed above, the Company is not aware of any change in the Directors' information which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the publication of the interim report for the six months ended 30 June 2019.

EMOLUMENT POLICY

A remuneration committee was set up by the Board to develop the Group's emolument policy and structure for remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

DIRECTORS' EMOLUMENTS

The Directors' emoluments are subject to shareholders' approval at annual general meeting of the Company. Other emoluments are determined by the Board with reference to the recommendations by remuneration committee of the Company, directors' duties, responsibilities and performance and the results of the Group.

Details of the Directors' emoluments are set out in Note 12 to the Consolidated Financial Statements of this annual report.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, every Director or other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses as a result of any act or failure to act in carrying out his/her functions.

Such permitted indemnity provision (with the meaning in Section 469 of the Companies Ordinance) is currently in force and was in force during the Year. In addition, the Company has also maintained Directors' and officers' liability insurance for the year ended 31 December 2019, which provides appropriate cover for the directors and officers of the Group.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save for the service contract/letter of appointment with the Directors, no other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely compete, either directly or indirectly, with the Group's business at any time during the Year.

NON-COMPETITION UNDERTAKING

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

The Company has received the confirmation from the Covenantors in respect of their compliance with the terms of Deed of Non-competition for the Year.

The independent non-executive Directors had reviewed and confirmed that the Covenantors/Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms for the Year.

Saved as disclosed above, during the Year, none of the directors, the substantial shareholders or the management shareholders of the Company or any of their respective associates 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.

REPORT OF THE DIRECTORS

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 48,000,000 Shares, representing 10% of the total number of 480,000,000 Shares in issue as at the date of this annual 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.

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

The exercise price of the share option will be not less than the highest of:

(i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date (the "Offer Date") of grant of the particular option, which must be a business day;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the Offer Date of the option; and

(iii) the nominal value of a Share on the Offer Date.

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

Further details of the principal terms of the Share Option Scheme are set out in paragraph headed "13. Share Option Scheme" in section headed "Statutory and General Information" in Appendix V to the Prospectus and Note 32 to the Consolidated Financial Statements.

As at 31 December 2019, there was no option outstanding, granted, cancelled, exercised or lapsed.

Rights to Acquire Shares or Debentures

Apart from the aforesaid Share Option Schemes, at no time during the year ended 31 December 2019 was the Company or any associated corporation a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, or had exercise any such rights in the Company or any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019 and up to the date of this report, the interests or short positions of Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long Position in the Ordinary Shares and underlying Shares of the Company

Interests in the Company

	Interests in Ordinary Shares						
Name of director	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
Mr. Ho Lien Hwai Note	—	—	144,000,000	144,000,000	—	144,000,000	25.00%

Note:

The entire issued share capital of Bizstar Global Limited ("Bizstar Global") was legally and beneficially owned as to 70% by Mr. Ho Lien Hwai ("Mr. Ho") and Mr. Lim Shi Min ("Mr. Lim"). Accordingly, Mr. Ho and Mr. Lim were 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. Mr. Lim is former Director of the Company who resigned on 10 January 2020.

(ii) Interests in the Associated Corporation

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

Save as disclosed above, as at 31 December 2019 and up to the date of this report, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by Directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2019 and up to the date of this report, the following persons/entities (not being Directors or chief executive of our Company) have an interest or a short position in the Shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, were as follows:

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

Name of shareholders	Capacity	Number of shares held	% of the Company's issued voting shares
Bizstar Global	Beneficial owner	144,000,000	25.00%
Ms. Yap Lay Kheng [Note 1]	Interest of spouse	144,000,000	25.00%
Ace Peak Capital Group Pte. Ltd. [Note 2]	Beneficial owner	96,000,000	16.67%

Notes:

1. Ms. Yap Lay Kheng is the spouse of Mr. Ho. Therefore, Ms. Yap Lay Kheng was 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.

Save as disclosed above, as at 31 December 2019 and up to the date of this report, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

RELATED PARTIES TRANSACTIONS

During the Year, details of the significant related party transactions undertaken in the normal course of business are set out in the Note 34 to the Consolidated Financial Statements, and none of which constitutes a disclosable "connected transaction" or"continuing connected transaction" as defined under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the Year, the Company has certain exempted continuing connected transactions which are fully exempted and are not subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the GEM Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public for the Year.

AUDITORS

The consolidated financial statements for the year ended 31 December 2019 have been audited by Messrs. Deloitte & Touche LLP who will retire as auditor of the Company upon expiration of its term of office at the forthcoming annual general meeting of the Company.

The Board is in the process of identifying a suitable auditor to fill the casual vacancy arising from the retirement of Deloitte & Touche LLP for appointment as auditor, if one can be identified and agrees to such appointment prior to the forthcoming annual general meeting of the Company. Further announcement and documents in relation to the appointment of new auditor will be made by the Company if and when appropriate.

By order of the Board
Hon Corporation Limited

Mr. Ho Lien Hwai
Executive Director and Chief Executive Officer

Singapore, 29 June 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND 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 year ended 31 December 2019 (the "Year") 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 for the year ended 31 December 2019 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 for the year ended 31 December 2019.

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 5.48 to 5.67 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 Year.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Year after making reasonable enquiry.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Composition

As at 31 December 2019, the Board comprises six Directors. As at the date of this annual report, there are seven Directors comprising two executive Directors, two non-executive Directors and four independent non-executive Directors of the Company. The composition of the Board up to the date of this report is as follows:

Executive Directors

Mr. Ho Lien Hwai* *(Chief Executive Officer)*
Ms. Teng Ley Peng (appointed on 20 December 2019)
Ms. Ng Mei Yun (resigned on 20 December 2019)
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 (appointed on 30 November 2019)
Mr. Mahtani Bhagwandas (appointed on 23 January 2020)
Mr. Ong Kim Huat (appointed on 23 January 2020)
Mr. Chan Shun Yin (resigned on 30 November 2019)
Mr. Ng Chye Kim (resigned on 23 January 2020)

During the Year, Ms. Luk Huen Ling Claire was appointed as an independent non-executive Director on 30 November 2019 to replace Mr. Chan Shun Yin; while Ms. Teng Ley Peng was appointed as an executive Director on 20 December 2019 to replace Ms. Ng Mei Yun.

Subsequent to the Year, Mr. Toh Hock Ghim was appointed as a non-executive Director and non-executive Chairman of the Company on 10 January 2020 to replace Mr. Ho Lien Hwai as Chairman of the Company. Mr. Ho remains as an executive Director and chief executive officer of the Company up to the date of this report.

THE BOARD OF DIRECTORS *(Continued)*

Composition *(Continued)*

On 23 January 2020, Mr. Mahtani Bhagwandas and Mr. Ong Kim Huat were appointed as independent non-executive Directors of the Company; while Mr. Ng Chye Kim resigned on the same day.

On 22 April 2020, Mr. Luo Jiakun was appointed as a non-executive Directors of the Company.

Save as above, there was no change in the composition of the Board up to the date of this report.

The relationship among members of the Board and biographical details and responsibilities of the Directors as well as the senior management are set out in the section "Biographical Details of the Directors and Senior Management" in this annual report. The updated list of Directors and their role and function are published at the GEM website and the Company's website at www.honindustries.com.sg.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

Chairman and Chief Executive Officer

During the Year and up to 10 January 2020, Mr. Ho held both positions as Chairman and the Chief Executive Officer of the Company. 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.

Subsequent to the Year and on 10 January 2020, Mr. Toh Hock Ghim was appointed as the non-executive Chairman to replace Mr. Ho so that Mr. Ho can devote more time on business expansion and consolidation of the Group to face and deal with the challenges in construction industry in Singapore. Mr. Ho remains chiefly responsible for the operation of the Group and supervision of the Directors as the chief executive officer of the Company from now on.

Mr. Toh Hock Ghim is the non-executive Chairman since 10 January 2020. The primary role of the Chairman is to help the Board to provide the Company with effective leadership and ensure the continuing effectiveness of the management team and the high standards of probity within the Company.

Independent Non-executive Directors

The Company has throughout the Year and up to the date of this report met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the Year, the independent non-executive Directors represent at least one-third of the Board pursuant to Rule 5.05A of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

Confirmation of Independence

Each of the independent non-executive Directors (including the former Directors who resigned during the Year and up to the date of this report) has made a written confirmation of independence (including their respective immediate family members) pursuant to Rule 5.09 of the GEM Listing Rules to the Company in respect of their independence (including their respective immediate family member) for the Year. Accordingly, the Company is of the view that all independent non-executive Directors (including the former Directors and their respective immediate family member) meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines throughout the Year.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year, which may be terminated by not less than three months' notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service agreement/letter of appointment.

In accordance with the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Company.

THE BOARD OF DIRECTORS *(Continued)*

Responsibilities, Accountabilities and Contributions of the Board and Management *(Continued)*

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Board reserves its decisions for all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. The Board has delegated the responsibility of implementing the strategies and the daily operations to the management of the Group under the leadership of executive Directors. The company secretary attend all regular Board meetings and Board committee meetings to advise on accounting and financial, corporate governance and statutory compliance matters. Senior management has formal or informal contact with the Board members as and when necessary.

Board/Board Committee/and General Meetings

According to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

According to code provision A.5.2 of the CG Code, nomination committee should review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy.

According to code provision C3.3 (e)(i) of the CG Code, audit committee must meet, at least twice a year, with the auditors of the Company.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. All Directors are consulted to include additional matters in the agenda for such meetings.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. Queries raised by directors shall receive a prompt and full response by the management. At the annual general meeting, the Chairman as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting.

THE BOARD OF DIRECTORS *(Continued)*

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals in compliance with A.1.1 of the CG Code, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary and all Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

During the Year, the Company held 6 Board meetings, 6 audit committee meetings, 1 nomination committee meeting and 1 remuneration committee meeting. In addition, the executive Chairman met with all independent non-executive Directors without the presence of the executive Directors.

Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the Board meeting and Board committee meetings held during the Year and up to the date of this report:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Total number of meetings held	6	6	1	1	1
	Number of meetings attended				
Executive Directors					
Mr. Ho Lien Hwai	6	N/A	1	N/A	1
Ms. Ng Mei Yun (resigned on 20 December 2019)	5	N/A	N/A	1	1
Mr. Lim Shi Min (resigned on 10 January 2020)	2	N/A	N/A	N/A	1
Ms. Teng Ley Peng (appointed on 20 December 2019)	2	N/A	N/A	N/A	N/A
Non-executive Directors					
Mr. Toh Hock Ghim (appointed on 10 January 2020)	2	1	1	1	1
Mr. Luo Jiakun (appointed on 22 April 2020)	1	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Ng Chye Kim (resigned on 23 January 2020)	4	5	1	N/A	1
Mr. Lau Wang Lap	6	6	N/A	1	1
Mr. Chan Shun Yin (resigned on 30 November 2019)	4	5	1	1	1
Ms. Luk Huen Ling Claire (appointed on 30 November 2019)	3	1	1	1	1
Mr. Mahtani Bhagwandas (appointed on 23 January 2020)	2	2	1	1	1
Mr. Ong Kim Huat (appointed on 23 January 2020)	2	2	1	1	1
Mr. Luo Jiakun (appointed on 22 April 2020)	1	N/A	N/A	N/A	N/A

THE BOARD OF DIRECTORS *(Continued)*

Induction and Continuous Professional Trainings of Directors

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his/her appointment and continuing briefing and professional development when necessary.

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

The Directors have also been informed of the requirement under A.6.5 of the CG Code regarding continuous professional development and they may join institutes and attend relevant training seminars or informative talk from time to time to enable them to better discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading and any industry-related matters, to develop themselves professionally, at the Company's expense.

For the Year, regulatory updates have been provided and sent to all the Directors from time to time, including:

— briefing by the external auditor on changes or amendments to accounting standards at the AC meetings; and

— update by the Company Secretary on proposed amendments to the GEM Listing Rules, directors' duties, risk management and directors' responsibilities from time to time.

During the Year, the Company considered the regulatory updates provided to all the Directors could assist them to discharge their duties.

The Group, if necessary, will keep on inviting professionals to conduct trainings to senior personnel (including all directors) of the Company so as to refresh their knowledge and to discharge their duty as Director of a listed company.

BOARD COMMITTEES

The Board has established three Board committees, namely the audit committee, the remuneration committee and the nomination committee for overseeing specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The latest terms of reference of the Board committees are posted on the Company's website and the GEM website of the Stock Exchange in compliance with the CG Code.

Audit Committee

The Company established an audit committee on 4 October 2018 with written terms of reference in compliance with Rule 5.28 to 5.33 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 latest terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The primary duties of our 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 composition of the audit committee during the Year and up to the date of this report is as follows:

Mr. Lau Wang Lap *(Chairman)*
Mr. Mahtani Bhagwandas (appointed on 23 January 2020)
Mr. Ong Kim Huat (appointed on 23 January 2020)
Mr. Chan Shun Yin (resigned on 30 November 2019)
Ms. Luk Huen Ling Claire (appointed on 30 November 2019 and resigned on 23 January 2020)
Mr. Ng Chye Kim (resigned on 23 January 2020)

All of the members of the audit committee are independent non-executive Directors. None of them is a former partner of the Company's existing auditing firm within 2 years immediately prior to their respective date of appointment. All of them do not have material interest in any principal business activity of nor is or was involved in any material business dealings with the Group or with any core connected persons (as defined in the GEM Listing Rules) of the Group within one year immediately prior to their respective date of appointment.

Mr. Lau Wang Lap, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the audit committee.

During the Year, the audit committee held 6 meetings. Details of the attendance of the members of the audit committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the audit committee meetings during the Year is as follows:

— To meet with the external auditors, review and make recommendation to the Board for approving the annual financial statement of the Group;

— To review and approve audit fee;

— To review the terms of engagement and make recommendation to the Board for the re-appointment of auditors of the Company, subject to the Shareholders' approval at the annual general meeting;

— To review the non-competition undertaking by the Controlling Shareholders of the Company;

— To review the effectiveness of the Company's risk management and internal control systems; and

— To review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The audit committee has not taken a different view from the Board regarding the selection and appointment of external auditors.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Company established a remuneration committee on 4 October 2018 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The latest terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange in compliance with the CG Code.

The primary functions of the remuneration committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

The composition of the remuneration committee up to the date of this report is as follows:

Mr. Mahtani Bhagwandas *(Chairman)* (appointed on 23 January 2020)
Mr. Ong Kim Huat (appointed on 23 January 2020)
Ms. Luk Huen Ling Claire (appointed on 30 November 2019)
Mr. Chan Shun Yin (resigned on 30 November 2019)
Mr. Ng Chye Kim (resigned on 23 January 2020)
Mr. Ho Lien Hwai (resigned on 23 January 2020)

The remuneration committee is chaired by an independent non-executive Director and majority members of the Remuneration Committee are also independent non-executive Directors. During the Year, the remuneration committee held one meeting to review the remuneration policy and structure and to make recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

Details of the attendance of the members of the remuneration committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the remuneration committee meeting during the Year and up to the date of this report is as follows:

— To review and recommend to the Board on the Group's remuneration policy and strategy;

— To review and recommend to the Board on the remuneration packages of the executive Directors and senior management; and

— To review and recommend to the Board on the Directors' fees of independent non-executive Directors.

Details of the emoluments paid to the Directors and highest paid individuals for the year ended 31 December 2019 are set out in Note 12 to the Consolidated Financial Statements.

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Company established a nomination committee on 4 October 2018 with written terms of reference in compliance with paragraph A.5 of the CG Code. The latest written terms of reference of the nomination committee are available on the websites of the Company and the Stock Exchange in compliance with the CG Code.

The primary functions of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships with reference to the established board diversity policy of the Company; assess the independence of our independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors.

The composition of the nomination committee during the Year up to the date of this report is as follows:

Mr. Ong Kim Huat *(Chairman)* (appointed on 23 January 2020)
Mr. Mahtani Bhagwandas (appointed on 23 January 2020)
Ms. Luk Huen Ling Claire (appointed on 30 November 2019)
Mr. Chan Shun Yin (resigned on 30 November 2019)
Ms. Ng Mei Yun (resigned on 20 December 2019)
Ms. Teng Ley Peng (appointed on 20 December 2019 and resigned on 23 January 2020)
Mr. Lau Wang Lap (resigned on 23 January 2020)

The nomination committee is chaired by an independent non-executive Director and majority members of the nomination committee are also independent non-executive Directors. During the Year, the nomination committee held 1 meeting to review composition of the Board, review the nomination policy, assess the independence of independent non-executive Directors and recommend the Board on the re-election of directors.

Details of the attendance of the members of the nomination committee in the said meeting are set out under the subheading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the nomination committee meeting held during the Year and up to the date of this report is as follows:

— To review the existing Board's structure, size and composition;

— To review the board diversity policy;

— To review the nomination policy;

— To review and assess the independence of the independent non-executive Directors; and

— To make recommendations on the retiring Directors at the 2020 AGM of the Company.

BOARD COMMITTEES *(Continued)*

Board Nomination Policy

The Company adopted a nomination policy in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The nomination committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the nomination committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The nomination committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

BOARD COMMITTEES *(Continued)*

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the nomination committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, nomination committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the above selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee considers the existing size and composition of the Board are adequate and diversified for effective decision-making, taking into account the nature and scope of the Group's operations. The nomination committee has also monitored the implementation of the board diversity policy since its adoption, and also reviewed it to ensure its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held.

BOARD COMMITTEES *(Continued)*

Board Diversity Policy *(Continued)*

During the Year and up to the date of this report, the Board comprises seven Directors, two of which are female. The following tables further illustrate the diversity of the Board as at the date of this report:

Name of Director	Age Group: 30 to 39	Age Group: 40 to 49	Age Group: 50 to 59	Age Group: Above 60	Ethnicity: Singaporean	Ethnicity: Malaysian	Ethnicity: Chinese
Current Directors							
Mr. Ho Lien Hwai			✓		✓		
Ms. Teng Ley Peng[1]		✓				✓	
Mr. Toh Hock Ghim[2]				✓	✓		
Mr. Lau Wang Lap		✓					✓
Ms. Luk Huen Ling Claire[3]		✓					✓
Mr. Mahtani Bhagwandas[4]			✓		✓		
Mr. Ong Kim Huat[4]			✓		✓		
Mr. Luo Jiakun[5]			✓				✓
Former Directors							
Ms. Ng Mei Yun[6]		✓				✓	
Mr. Ng Chye Kim[7]				✓	✓		
Mr. Chan Shun Yin[8]	✓						✓

Name of Director	Educational background: Engineering	Educational background: Quantity Surveying	Educational background: Accountancy	Educational background: Law	Educational background: Others	Professional experience: Construction	Professional experience: Internal audit, tax and consultancy	Professional experience: Law	Professional experience: Others
Current Directors									
Mr. Ho Lien Hwai	✓					✓			
Ms. Teng Ley Peng[1]					✓				✓
Mr. Toh Hock Ghim[2]					✓				✓
Mr. Lau Wang Lap			✓				✓		
Ms. Luk Huen Ling Claire[3]					✓				✓
Mr. Mahtani Bhagwandas[4]				✓				✓	
Mr. Ong Kim Huat[4]					✓				✓
Mr. Luo Jiakun[5]	✓					✓			
Former Directors									
Ms. Ng Mei Yun[6]		✓				✓			
Mr. Ng Chye Kim[7]		✓				✓			
Mr. Chan Shun Yin[8]				✓				✓	

BOARD COMMITTEES *(Continued)*

Board Diversity Policy *(Continued)*

Notes:

1. appointed on 20 December 2019
2. appointed on 10 January 2020
3. appointed on 30 November 2019
4. appointed on 23 January 2020
5. appointed on 22 April 2020
6. resigned on 20 December 2019
7. resigned on 23 January 2020
8. resigned on 30 November 2019

The nomination committee considers the existing size and composition of the Board are adequate and diversified for effective decision-making, taking into account the nature and scope of the Group's operations. The nomination committee has also monitored the implementation of the board diversity policy since its adoption, and also reviewed it to ensure its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of financial reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Board acknowledges its responsibility for the preparation of the Consolidated Financial Statements for the year ended 31 December 2019 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors about their reporting responsibilities is set out in the "Independent Auditors' Report" on pages 88 to 91.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness, while the management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance (including handling and dissemination of inside information), risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications.

The internal control system is reviewed on an ongoing basis by the Board and the Audit Committee through engaging independent consultant. Management also regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The management will highlight all significant matters to the Board and audit committee members from time to time.

During the year ended 31 December 2019, the audit committee of the Company, through the engagement of Roma Risk Advisory Limited ("ROMA"), reviewed the adequacy and effectiveness of the Group's system of risks management and internal controls including the cycles relating to the project management, human resources and payroll management and financial reporting and disclosure management of the Group.

ROMA has reported to the audit committee that they has identified, evaluated and managed risks during the year ended 31 December 2019, based on their procedures performed, and reported that no significant deficiencies were identified and recommendations on the various aspects had been suggested to audit committee and management for their consideration.

The audit committee also reported such findings and recommendations to the Board for the improvement of the risk management and internal control systems of the Group and the Board considered that all recommendations should be properly followed to ensure the sound and effectiveness of the risk and internal control systems of the Group can be maintained.

In addition, the Board had received confirmation from the management for the year ended 31 December 2019 that:

- The financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group; and

- The risk management and internal control systems of the Group are effective.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS *(Continued)*

Based on the framework for risk management and internal control system established by the Group, the Board and the audit committee admitted that through the review of risk management and internal control systems of the Group, it can evaluate and improve its effectiveness, and the Board, with the concurrence of the audit committee, considered that such systems including financial, operational and compliance were effective and adequate for the Year based on the work performed and report prepared by ROMA as well as the confirmation letter received by the management. The Company will perform the ongoing assessment to update the all material risk factors on a regular basis. In any case, review on risk management and internal control system will be conducted annually.

The Company adopted the recommendations from ROMA to enhance its risk management and internal control procedures and would implement appropriate policies and programmes.

Material uncertainties relating to the going concern basis

As disclosed in the independent auditor's report and note 1 to the financial statement, the auditor of the Company issued a disclaimer of opinion relating to the multiple uncertainties related to going concern in the consolidated financial statements of the Company for the year ended 31 December 2019. Please refer to headed "Other Information" in the section "Management Discussion and Analysis" contained in this Annual Report for details regarding the management position, audit committee's view and the action plan to resolve the related issues.

Internal Audit

The audit committee relies on reports from the management, external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the audit committee oversees and monitors the implementations thereto.

During the Year, the Group had engaged an independent internal control consultant to assess our overall internal controls and to give recommendations to make any enhancement. It was reported that there were no material deficiencies in relation to the Group's internal controls. The Board is of the view that the internal control measures of the Group are adequately and effectively monitor our business operations for the Year.

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the Directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the GEM Listing Rules and Securities and Futures Ordinance ("SFO").

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. The management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS *(Continued)*

External Auditors' Remuneration

During the Year, the Company engaged Deloitte & Touche LLP as the external auditors. The consolidated financial statements for the year ended 31 December 2019 have been audited by Messrs. Deloitte & Touche LLP who will retire as auditor of the Company upon expiration of its term of office at the forthcoming annual general meeting of the Company. Their fees in respect of audit services and non-audit services provided for the year ended 31 December 2019 amounted to S$150,000 and NIL respectively.

The audit committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditors for annual audit services was reasonable. There has been no major disagreement between the auditors and the management of the Company during the Year.

COMPANY SECRETARY

The Company appointed Mr. Ng Chit Sing ("Mr. Ng"), an external service provider, as its company secretary. Ms. Teng Ley Peng (an executive Director and the Chief Administrative Officer), are the primary contact persons to Mr. Ng at the Company in respect of any compliance and company secretarial matters of the Company.

The biographical details of Mr. Ng are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the Year, Mr. Ng, undertook over 15 hours' professional training to update his skill and knowledge in compliance with the CG Code.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Year, there has been no changes in the constitutional documents of the Company.

The restated Memorandum and Articles of Association of the Company are available for viewing on the websites of the Company and the Stock Exchange in compliance with the CG Code.

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

The controlling shareholder (as defined in the GEM Listing Rules) of the Company gave a non-competition undertaking in favour of the Company and confirm that they and their close associates have not breached the terms of the undertaking contained in the Non-competition Deed during the Year.

The Board comprising all the independent non-executive Directors, based on the written confirmation provided by the controlling shareholders, is of the view that the controlling shareholders have been in compliance with the Deed of Non-competition in favour of the Company for the Year.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The Way by Which Shareholders Can Convene Extraordinary General Meeting ("EGM")/Put Forward Proposal

According to Article 58 of the articles of association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Article 85 of the Articles of Association of the Company provides that no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a member of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("Proposal"), he/she should lodge a written notice setting out the Proposal and his/her contact details to the head office and principal place of business of the Company.

The relevant procedures are set out in the circular to the shareholders regarding the forthcoming annual general meeting of the Company which is sent together with this annual report and the Company's website at www.honindustries.com.sg.

The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board/company secretary by addressing them to the Company at our Headquarters in Singapore or principal place of business in Hong Kong or by email as specified in the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to maintain effective communications with the shareholders and potential investors of the Company.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information about the Group on its website at www.honindustries.com.sg. It is a channel of the Company to communicate with its shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular and financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

The forthcoming annual general meeting of the Company is scheduled to be held on 7 August 2020. At the annual general meeting, the chairman of the Board as well as chairman of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

The notice of annual general meeting and the necessary information on issues to be considered in the annual general meeting will be set out in the circular to be despatched to the shareholders of the Company in due course.

Policy on Payment of Dividends

The Company adopted a policy on payment of dividends (the "Dividend Policy") in compliance with E.1.5 of the CG Code with effect from 1 January 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Singapore, 29 June 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Hon Corporation Limited (the "Company", together with its subsidiaries, "the Group" or "we") is principally engaged in the building construction, engineer and construction project management service in Singapore, we believe sustainability is the key to achieve continuous success and we have integrated it into our business strategies.

This Environmental, Social and Governance Report (the "ESG Report") summarizes the environmental, social and governance ("ESG") initiatives, plans and performances of the Group and demonstrates its commitment to sustainability development.

The ESG Governance Structure

The Group has set up an ESG working taskforce (the "Taskforce") composed of staff from relevant departments assisting in data collection and compilation of the ESG Report. The Taskforce would periodically report to the senior management, assist in assessing, identifying and managing risks of the Group on ESG aspects and whether its internal control system is appropriate and effective. The Taskforce reviews the ESG performance of the Group, including environmental, labour practices, and other ESG aspects. The senior management sets the tone at the top for its ESG strategies, and is responsible for ensuring effective risk management and internal controls.

SCOPE OF REPORTING

Unless specified otherwise, the ESG Report covers the Group's business activities in Singapore, which represent the Group's major sources of revenue. The ESG key performance indicator ("KPI") data is gathered and included subsidiaries under the Group's direct control. The KPIs are shown in the Report as well as supplemented by explanatory notes to establish benchmarks. The Group will extend the scope of disclosures when and where applicable.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 20 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited ("HKEX").

For the Group's corporate governance practices, please refer to p.41 to p.59 for the section "Corporate Governance Report" contained in this Annual Report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2019 (the "Year" or "2019").

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback regarding our businesses and ESG aspects. In order to understand and address their key concerns, we have maintained close communication with our key stakeholders, including but not limited to shareholders and investors, customers and business partners, employees, suppliers and subcontractors, media, non-governmental organizations ("NGOs") and the public, as well as government bodies and regulators. We take stakeholders' expectations into consideration in formulating our businesses and ESG strategies by utilising diversified engagement methods and communication channels, shown as below.

Stakeholders	Communication channels	Expectations and concerns
Shareholders and investors	• Annual general meeting ("AGM") and other shareholder meetings • Financial reports • Announcements and circulars • Company website	• Compliant operation • Risk management • Anti-corruption • Economic performance
Customers and business partners	• Customer satisfaction survey • Progress meetings	• Provision of quality products and services • Protection of customers' interest • Protection of intellectual property • Protection of customers' privacy • Compliant operation
Employees	• Trainings, seminars, and briefing sessions • Regular meetings • Performance reviews • Intranet	• Employee health and safety • Employee development and training • Protection of employees' rights and interests • Compliant operation
Suppliers and subcontractors	• Supplier management meetings and events • Supplier audit	• Fair and open procurement • Sustainable development of supply chain
Media, NGOs, and the public	• ESG reports • Company website	• Transparent information disclosure • Community service
Government bodies and regulators	• Compliance advisor	• Compliant operation • Risk management • Payment of tax

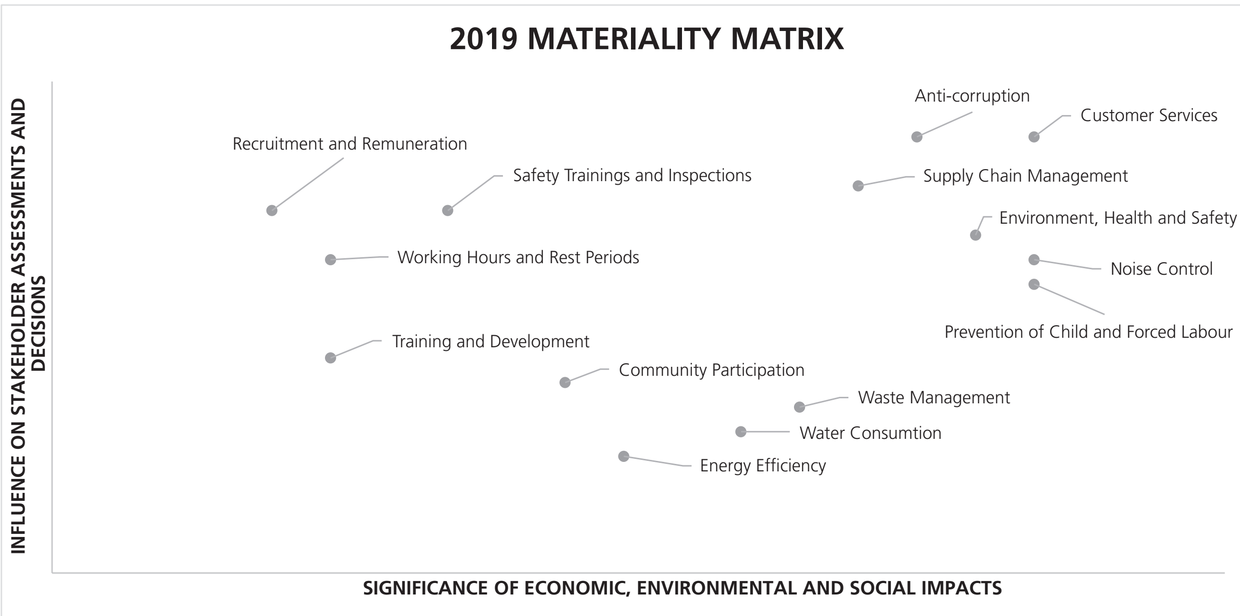
We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The management and staff of the Group's respective major operations have participated in the preparation of the ESG Report to assist the Group in reviewing our operations and identifying relevant ESG issues and assess the importance of related matters to our businesses and stakeholders. Based on the assessed significant ESG issues, a data collection questionnaire was prepared to collect information from relevant departments and business units of the Group.

The following materiality matrix is a summary of the Group's material ESG issues included in the ESG Report:



The Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

CONTACT US

We welcome stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG report or our performances in sustainable development by email hr@honindustries.com.sg.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1. Emissions

The Group primarily engaged in building and infrastructure projects and interior decoration projects in the public and private sectors in Singapore. Business operations include, but not limited to, maintenance services, repairs, and renovations. We have integrated environmental consideration into our decision-making process and embraced the responsibilities to create an environmentally sustainable business.

We recognise our responsibilities towards the potential environmental impacts, therefore to enhance our environmental governance practices and mitigate the environmental impact caused by our operations, the Group has implemented ISO 14001:2015 Environmental Management System ("EMS"). In addition, we have adopted the Environmental, Health and Safety ("EHS") Policy in accordance with relevant Singapore standards related to safety and health management system and other standards, code of practice or guidance issued or approved by the Workplace Safety and Health Council. The EHS Policy is approved by the top management and circulated on site for use. It is reviewed at intervals of at least once a year or when there are changes of operations that require other sources and personnel management, and after statutory audits.

To better manage our environmental performances, the Group has established an Environmental, Health and Safety Committee ("EHS Committee") which is chaired by a Director and is composed of management representatives including quantity surveyor, project manager, safety engineer or supervisor and employee representative. The committee meets on a regular basis and is responsible for setting objectives and monitoring performance. They are also responsible for controlling any failure to meet the Group's EHS Policy.

To raise our employees' environmental awareness and comply with relevant environmental laws and regulations, the Group is also committed to conduct related in-house training for various stakeholders to enhance their knowledge on the ISO 14001 EMS, including but not limited to department heads, section supervisors, management staff, local and foreign workers, suppliers, and contractors.

To educate our staff on handling waste, we have circulated memorandums to all staff on the identification and segregation of domestic wastes. Domestic wastes have been identified and segregated into three major types, namely paper, plastic and metal. Containers marked with "Paper", "Plastic" and "Metal" are being positioned at designated locations within the factory premises. Employees are advised to place the appropriate domestic wastes into the specified containers. The Group has also established reduce, reuse and recycle program to minimize the wastage of resources.

We will continue to enhance our environmental management strategies in monitoring and minimizing the environmental impacts brought by our businesses regularly in the long run.

A. ENVIRONMENTAL *(Continued)*

A1. Emissions *(Continued)*

During the Year, the Group was not aware of any material non-compliance with the relevant environmental laws and regulations in relation to exhaust gas and greenhouse gas ("GHG") emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes in Singapore, including but not limited to the "Environmental Protection and Management Act", "Environmental Public Health Act", and "Environmental Public Health (General Waste Collection) Regulations", that have a significant influence on the Group's operations.

The Group understands as a construction company, its potential impacts from GHG emissions, domestic waste water and non-hazardous wastes that pose to the environment. Hence, we focus on nurturing and strengthening our employees' awareness of environmental protection in their daily work processes, and actively carry out the Group's environmental protection measures, with the aim to lower the GHG emissions and reduce non-hazardous wastes generation.

Air Emissions

Due to our business nature, the Group considers the relevant air emission generated is insignificant. However, we still pay attention to the relevant air emission generated at construction sites. We strive to mitigate the exhaust gas and dust generated from our production process as much as possible.

Exhaust Gas Emissions

Our major sources of exhaust gas emissions are combustion of diesel and petrol from vehicles and construction machineries from the Group's operation. The Group only generates limited amount of exhaust gas (approximately 1.2 kg of sulphur oxides) during the Year. We have set up a monitoring system for diesel consumption on site to track the amount of diesel consumed, and will examine the causes of unexpected high amount of diesel consumption. Other measures to mitigate exhaust gas emission for vehicles and construction machineries are mentioned in the following section on "GHG Emissions".

Dust

We have a section on "Site Dust Control" in our EHS Management Programme. To cater dust problems at sites, we have implemented the followings:

- Concreted or paved areas for site access to reduce generation of airborne dust;
- Diverted exhausts of generators into drums of water to mitigate release of harmful contaminants into the atmosphere; and
- Covered and secured all loads on vehicles before leaving the site.

A. ENVIRONMENTAL *(Continued)*

A1. Emissions *(Continued)*

GHG Emissions

The principal GHG emissions of the Group are generated from the petrol and diesel consumption of vehicles (Scope 1) and purchased electricity (Scope 2). During the Year, we have also expanded our scope of reporting for GHG emissions to also include other indirect GHG emissions from aircraft navigation during employees' business trip (Scope 3). The summary of GHG emissions performances were as follow:

Indicator[1]	Unit	2019	2018
Direct GHG emissions (Scope 1) — Diesel and petrol consumption	tCO_2e	549.60	2,496.38
Energy indirect GHG emissions (Scope 2) — Purchased electricity	tCO_2e	26.27	28.30
Other indirect GHG emissions (Scope 3) — Air travel	tCO_2e	7.93	N/A
Total GHG emissions (Scope 1, Scope 2 and Scope 3)	tCO_2e	583.80	2,524.68
Intensity of GHG emissions	tCO_2e/employee	2.82[2]	10.70[3]

Notes:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest released Singapore's Grid Emission Factor, "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).

2. As at 31 December 2019, the Group had 207 employees in total. The data is also used for calculating other intensity data.

3. As at 31 December 2018, the Group had 236 full-time employees in total. The data is also used for calculating other intensity data.

We have adopted the following measures to mitigate the direct GHG emissions from petrol and diesel consumption in our operations:

- Switched off engine whenever the vehicle is idled;
- Examined and obtained certification for the vehicles under section 90 of the "Road Traffic Act" on the prescribed statutory requirements; and
- Provided maintenance service to the vehicles on a regular basis to ensure engine performance as well as its efficient use of fuel.

A. ENVIRONMENTAL *(Continued)*

A1. Emissions *(Continued)*

GHG Emissions *(Continued)*

Consumption of electricity is accounted as the most significant source of indirect GHG emissions. The Group has implemented measures as stated in "Energy Efficiency" of Aspect A2 below in order to reduce energy consumption, and thereby minimizing carbon footprint.

With the above measures, the Group's total GHG emissions has significantly reduced due to the significant decrease in direct GHG emissions (Scope 1) from reduction of diesel consumption. This is because of the completion of projects that require heavy machinery usage and fewer demands for machinery usage at the start of new projects. The Group's total GHG emissions has decreased by approximately 77% from approximately 2,524.68 tCO_2e in 2018 to approximately 583.80 tCO_2e in 2019.

Sewage Discharge

We do not consume significant volume of water through our business activities, and therefore our business activities did not generate material portion of discharge into water. We have procedures for water discharge at sites to prevent water pollution. Realising the potential of underground water pollution from leaching, drip trays are placed under generator sets to prevent any seepage, dripping or spillage of diesel to the ground or drain.

Waste Management

Hazardous Waste Handling Method

Despite the Group did not generate material hazardous wastes during the Year, we have established guidelines in governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, chemical wastes are temporarily stored in dedicated location with appropriate hazard labels. We must engage a qualified chemical waste collector to handle such waste, which is complied with the relevant environmental regulations and rules.

Non-hazardous Waste Handling Method

The Group's wastes mainly come from construction sites and office, including non-hazardous wastes such as construction waste, wood and paper. With the aim of minimizing the environmental impacts from non-hazardous wastes generated from our business operations, the Group has implemented measures in waste management and launched different reduction initiatives.

For wastes generated at sites, we implement separate refuse management systems for organic and construction wastes at our Project Residential work site. Industrial wastes from our Project Residential work site are removed to a public disposal facility for disposal.

A. ENVIRONMENTAL *(Continued)*

A1. Emissions *(Continued)*

Waste Management *(Continued)*

Non-hazardous Waste Handling Method (Continued)

In addition, the Group has provided disposal bins for different types of waste streams to promote waste separation at source. We set up procedure for reduction of construction waste and office waste by implementing arrangement of recycling of office waste management. We have implemented the following procedures to encourage employees to share responsibilities in waste management and minimize waste generations:

- Used double sided printing or photocopying wherever possible;
- Utilized electronic media for communication;
- Recycled one-sided printed paper; and
- Avoided single-use disposable items.

We also inculcate good practice among staff, including sub-contractors, to segregation of cement bags and paper packaging for disposal into recycling bin(s) to designated refuse collecting point(s).

Our staff's awareness on waste management have been raised through the above measures. This leads to a decrease in amount of waste generated in our operation. The total amount of non-hazardous waste generated during the Year has decreased by approximately 38% from approximately 605.78 tonnes in 2018 to approximately 377.39 tonnes in 2019. The reasons for such reduction were due to the completion of projects and the start of new projects. The following is a summary of major non-hazardous wastes discharge performance:

Category of waste	Unit	2019	2018
General wastes	tonnes	375.67	603.78
Paper[4]	tonnes	1.72	2.00
Total non-hazardous waste	tonnes	377.39	605.78
Intensity	tonnes/employee	1.82	2.57

Note:

4. The amount includes A3 and A4 paper, which were approximately 348,500 pages in total for 2019 and approximately 386,000 pages in total for 2018.

A. ENVIRONMENTAL *(Continued)*

A2. Use of Resources

The Group strives to optimise resource usage in our business operations and take initiatives to introduce measures on promoting resource efficiency and adopting eco-friendly approaches in our operations. Our major resource consumption contributes to fuel, electricity and water during our operations, hence the Group has established relevant policies and procedures in governing the efficient use of resources, in consideration of the objective of accomplishing higher energy efficiency and minimising the unnecessary use of materials. We have also encouraged our subcontractors to adopt similar approaches.

We have included a "Green, Gracious and Wellness Policy" in our Green, Gracious and Wellness Manual, listing out ways that we are committed in protecting the Earth, taking care of the environment and being gracious to our employees and neighbours. Commitments include but not limited to preventing pollution, promoting resource efficiency, reducing waste generation, and training personnel on green and gracious practices. We strive to improve our green and gracious performances on all our project sites so as to create a gracious and green workplace for our staff and workers as well as to maintain a conductive, clean and safe living environment for our neighbours.

Energy Efficiency

The Group is committed to reduce any environmental impacts arose during our business operations by identifying and adopting appropriate measures in our operations. We have established related policies and initiatives on energy conservation to show our dedication on energy efficiency. All employees must implement the adopted policies and measures in resource utilization. In order to continuously improve on the Group's energy performance, we conduct regular review on our energy objectives and targets to optimise energy efficiency.

We have implemented monthly monitoring of the usage of electricity, water and other materials to strengthen our energy management. The Group has set up a monitoring system for electricity consumption on site to ensure consumption of less than 8 kWh/m^3 gross floor area ("GFA") or less than 5,328 kWh/$mil work done per project. Unexpected high electricity consumption will be investigated to find out the root cause and preventive measures will be taken.

A. ENVIRONMENTAL *(Continued)*

A2. Use of Resources *(Continued)*

Energy Efficiency *(Continued)*

To raise the awareness of environmental protection among employees, the Group has established Energy Conservation Management in order to minimise the wastage of energy and resources. We have also displayed notices, posters and stickers to strengthen our energy conservation promotion. During the Year, the Group has performed the following measures relating to promote energy efficiency:

- Switch off unnecessary lightings and electrical appliances when not in use;
- Use energy efficient air conditioning systems and Green Label appliances or equipment; and
- Set up procedures for on-site energy consumption monitoring system.

The total energy consumed during the Year has decreased by approximately 79% from approximately 10,182.22 MWh in 2018 to approximately 2,172.11 MWh. This is due to the significant decrease in diesel consumption from the completion of projects that require heavy machinery usage and the start of new projects leading to fewer demands for heavy machinery during the Year. The energy consumption of the Group and its intensity were as follows:

Type of energy	Unit	2019	2018
Diesel[5]	MWh	2,060.24	10,075.29
Petrol[6]	MWh	49.14	39.41
Electricity	MWh	62.73	67.52
Total energy consumption	MWh	2,172.11	10,182.22
Intensity	MWh/employee	10.49	43.15

Notes:

5. Actual diesel consumption were approximately 202,447.08 litres and approximately 947,235.11 litres in 2019 and 2018 respectively.

6. Actual petrol consumption were approximately 5,085.06 litres and approximately 4,225.82 litres in 2019 and 2018 respectively.

A. ENVIRONMENTAL *(Continued)*

A2. Use of Resources *(Continued)*

Water Consumption

Water consumption of the Group is mainly for operations at construction sites, cleaning and sanitation. To ensure water is efficiently used and recycled and construction water is properly treated and discharged, the Group has established Water Conservation and Pollution Control in order to maintain water hygiene, consumption as well as water discharged to the environment. To optimize water usage and to reduce wastewater generation, we have a monitoring system for water consumption on site ensuring consumption of less than 800 L/m^3 GFA or less than 533 m^3/$mil work done per project.

To encourage the habit of water conservation among employees, we have been strengthening our water-saving promotion, posting water saving reminders, and guiding employees to use water reasonably. The following are some measures we have implemented to increase water efficiency:

- Utilise recycled water for vehicle washing, cleaning of drains and dirty boot; and
- Use water treatment and recycling plant to conserve water usage on site or discharge of waste water.

Employee's awareness on water conservation has been raised with the above measures. Due to our business nature, the Group has not identified any issues in sourcing water that is fit for purpose.

During the Year, the water consumption of the Group has slightly increased by approximately 11% from approximately 196.40 m^3 in 2018 to approximately 218.90 m^3 in 2019. The following table shows the Group's water consumption and its intensity:

Water consumption	Unit	2019	2018
Total freshwater consumption	m^3	218.90	196.40
Intensity	m^3/employee	1.06	0.83

Use of Packaging Material

Due to our business nature, the Group does not consume significant amounts of package materials for product packaging as it has no industrial production or any factory facilities, the use of packaging materials is considered as immaterial.

A. ENVIRONMENTAL *(Continued)*

A3. The Environment and Natural Resources

Realizing the core businesses of the Group have potential impacts on the environment and natural resources, being a continuing commitment to corporate social responsibility, we aimed to lower and minimize negative environmental impacts during our business operations. Considering our business nature, we recognise other potential environmental impacts such as noise pollution and aim to tackle such problems. To mitigate the disturbance to the community and environment, we included a section on "Site Noise Control" in our EHS Management Programme. We are also devoted to achieve sustainable development for generating long-term values to the community and our stakeholders.

The Group strives to reduce our potential environmental impacts and promotes effective environmental management. We regularly assess the environmental risks of our businesses, adopt preventive measures to reduce potential risks and ensure compliance with relevant laws and regulations.

Environmentally Friendly Construction Methods

We strive for environmental protection and gracious practices during construction phase of projects. The concept of sustainability is embedded in our procurement and working processes. We recommend and use environmentally friendly or green label products on site. To raise the awareness of staff at the sites, environmental posters are displayed at the Environment, Health and Safety notice board.

Realizing the potential environmental and health problems may arise from our construction sites due to pests, we adopt proactive vector control measures at site by deployment of in-house team, carrying out regular oiling besides the engagement of pest control service.

Our efforts in building a safe, high quality, sustainable and friendly built environment is recognized by the Building and Construction Authority ("BCA"), and we obtained the BCA Green and Gracious Builder Award in 2019.

Noise Control

In order to solve potential noise problems from our construction sites, we have a section on "Site Noise Control" in our EHS Management Programme. We have implemented the following measures to control noise emission at sites:

- Set goals and KPIs to noise and vibrations;
- Install noise barriers at areas of concern to reduce noise transmission;
- Provide enhanced hoardings (4 to 6 meters in height) around the site to mitigate noise during construction; and
- Install noise monitoring meter(s) both on and off site to monitor.

B. SOCIAL

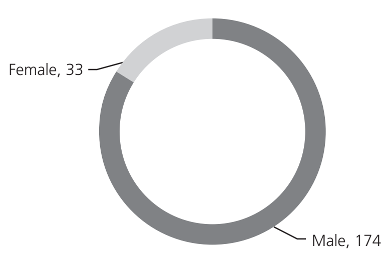
B1. Employment

Human resources are fundamental to the long-term growth and development of the Group. In view of this, we have applied people-oriented management strategy in relevant employment policies that helps realise the full potential of employees. Relevant employment policies are formally documented as Employee Handbook, including recruitment and remuneration, compensations, working hours and rest periods, diversity and equal opportunities, etc. We evaluate our employment practices and policies regularly so that there will be continuous improvements on our employment standards.

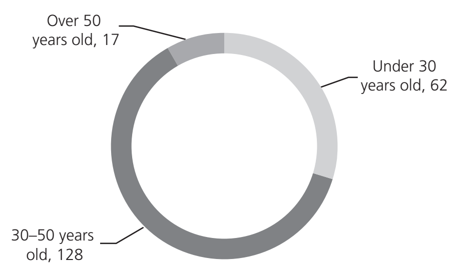
During the Year, the Group was not aware of any material non-compliance with employment-related laws and regulations including but not limited to the "Employment Act", that would have a significant impact on the Group.

As at 31 December 2019, the Group had a total of 207 employees, all were located in Singapore, in which 206 were full-time staff and 1 was part-time. The Group's turnover rate for male and female were approximately 32.6% and approximately 4.2% respectively.

Number of employees (by gender)



Number of employees (by age group)



Recruitment and Remuneration

We adopt robust, transparent and unbiased recruitment processes based on merit selection against the job criteria applied. Employees will be assessed and chosen based on their ability and potential to fulfil the Group's current and future needs, as well as their fitness for the position. We treat and evaluate our employees in fair and unprejudiced way.

We place emphasis on job-related skills, qualifications and performances regarding remuneration. Annual performance review and salary adjustments and promotion appraisals will be conducted in order to determine salary adjustments and promotion appraisals. We compensate employees through the provision of Workmen's Compensation Insurance, which covers employees who sustain personal injury by accident or disease arising out of the course during employment. Remuneration packages include variable bonus, annual leave, medical reimbursement, outpatient medical consultation, and discretionary bonuses, etc.

B. SOCIAL *(Continued)*

B1. Employment *(Continued)*

Working Hours and Rest Periods

To determine the working hours and rest periods of employees, the Group has formulated policies according to local employment laws. Employees can take basic leaves, such as sick leaves, annual leaves and other additional leaves, ranging from maternity leave to paternity leave and from childcare leave to marriage leave, as long as such leave periods are granted in accordance with the relevant employment laws, and the "Employment Act".

Diversity, Equal Opportunities and Anti-discrimination

The Group believes that having a varied and skilled workforce is essential to business. Therefore, the Group devotes to creating and maintaining an embracing and collaborative workplace culture. We aim to provide equal opportunities in all aspects of employment and ensure the workplace is free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. We also strive to ensure that complaints, afflictions and concerns, including whistle-blowing, are dealt with promptly and confidentially. We have zero tolerance of sexual harassment or abuse in the workplace in any form.

B2. Health and Safety

The Group is committed to providing and maintaining a safe and healthy working environment for the benefit of our employees, subcontractors, and suppliers. We have established a Workplace Safety and Health Management System Operation Procedure that sets out clear terms for project management approaches and commitments to health and safety. We review the policy on annual basis, or depending on the occurrence of accidents that may require to be reviewed, to ensure it is related and appropriate to the Group.

The Group is also certified with bizSAFE Level Star certificate, which is accredited by the Workplace Safety and Health Council in Singapore. We will continue to contribute sufficient resources and devote to maintaining and enhancing safety management so as to reduce the risks involved in health and safety.

During the Year, the Group was not aware of any material non-compliance with health and safety-related laws and regulations including but not confined to "Workplace Safety and Health Act", that would have a significant impact on the Group. The Group had no work-related fatalities during the Year.

B. SOCIAL *(Continued)*

B2. Health and Safety *(Continued)*

Environmental, Health and Safety

The Group has implemented the EHS Policy, which was written with reference to relevant Singapore standards relating to safety and health management system and other standards. The policy consists of the responsibilities of main-contractor and sub-contractor, as well as the commitments of management to safety and health. Requirement of sub-contractors is also listed in the policy, which is providing sufficient and appropriate resources at the site. The EHS Policy is evaluated at intervals of at least once a year, or when there is change of operations that requires other sources and personnel management and after statutory audits.

Workplace Safety and Health ("WSH") Management Programmes

To safeguard workers from injuries and impairment of health, the Group has formulated internal safety policy on safe work environment where guidelines are listed in accordance with the law and regulations. Workplace Safety and Health Management System ("WSHMS") is also implemented to manage safety, health and environmental issues, where multiple occupational safety and health programmes concerning noise, dust, toxic gasses and vapours in the construction industry are launched. Such programmes include Hearing Conservation Programme, Respiratory Protection Programme, First Aid Provisions, Heat Stress Prevention Programme, etc.

Safety Trainings and Inspections

The Group carries out regular safety inspections to ensure operations are conducted in a manner that reduces risks imposed to employees and workers. Safety inspections are conducted by different levels of management, and if necessary, follow-up actions will be taken immediately.

We highlight the need of strict compliance with safety requirements to our employees to ensure that there will be no accidents to themselves or others that work on our projects. We also require our subcontractors to adhere to all applicable laws, regulations and safety requirements imposed by the government authorities.

We organises Mass Tool Box Meetings and/or Weekly Tool Box Meetings to train all workers on the relevant health information, safe work practices and proper use of personal protective equipment. The worksite management also implement WSHMS promotional programs to educate the workers on health hazards and the corresponding control measures.

B. SOCIAL *(Continued)*

B2. Health and Safety *(Continued)*

Safety Trainings and Inspections *(Continued)*

Safety trainings are significant in equipping our employees at all levels with the right knowledge, skills and attitudes, so that they can perform the tasks in a safe and efficient way. Therefore, all employees at the sites are required to attain the Ministry of Manpower ("MOM") Safety Orientation Course Certificate, attend WSH Orientation, or induction courses organized by the Group on occupational safety and environmental control. The WSH Orientation or Induction Courses syllabus shall be reviewed once a year and if necessary revised based on workplace, industry or regulatory changes. We also conduct related in-house training for different stakeholders to raise their awareness on OHSAS 18001, including but not limited to department heads, section supervisors, management staff, local and foreign workers, suppliers and contractors.

Employees are reminded to report any hazards identified to supervisor instantly, irrespective of the seriousness of accidents occurring on site. WSH Officer will assist the supervisor to fix the corresponding hazards to prevent accident occurrence. Also, near misses or incidents without personal injury must be reported to supervisor immediately. WSH Officer are required to provide support to the supervisor in incident or accident investigation process to identify the hazards and recommend remedial measures to prevent recurrence.

B3. Development and Training

The Group perceives its staff as the paramount asset and resource. We appreciate the valuable contribution our talents make to the continuous success of the Group. We are devoted to inspiring our human capital towards delivering excellence by developing training strategies that focus on creating values and serving the needs of our customers, our talents and society.

Training and Development

The Group considers training and development as indispensable for our staff to keep up with the latest trend in the industry. Nurturing talents and polishing the skills of our human capital is crucial in leading us to greatness.

The Group provides its staff with courses, workshops, conferences, and seminars that are related to the works performed by the Company. Training materials are updated constantly so that the training programs can strengthen the skills, knowledge, and competency of staffs to perform duties and tasks.

The Group encourages employees to attend training courses through the introduction of Training Bond. Bond periods are different subjected to the amount of bond schedule. An employee whose application has been approved by the Company will be asked to sign a bond in accordance with the bond schedule.

B. SOCIAL *(Continued)*

B4. Labour Standards

Prevention of Child Labour and Forced Labour

During our recruitment processes, child labour and forced labour are strictly prohibited in accordance with laws and regulations. The Group strictly complies with local laws and does not provide employment to children before they reach the legal age to work as defined by the International Labour Organisation ("ILO") Convention and Ministry of Manpower ("MOM") in Singapore. No employee would be forced or persuaded to work in the Group against their will, experienced any form of action of threatening and abuse, or subjected to any type of coercion or punishment in workplaces.

The Group collects candidates' personal data during our recruitment process in order to aid the selection of suitable candidates. The Human Resource Department will be responsible to secure the authenticity of personal information received by checking original identification cards during recruitment or other operational processes. Any faulty information received or action violating our policies or related regulations involved will be solved under different circumstances.

During the Year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, including but not limited to the "Employment Act" that would have a significant impact on the Group.

B5. Supply Chain Management

The Group highly values our relationship with suppliers and subcontractors, and regards them as important business partners. All suppliers and subcontractors are evaluated, and subjected to regular monitoring and assessment. The Group has formulated relevant policies and procedures to manage suppliers, while policies and procedures are reviewed on yearly basis. During the Year, the Group had 800 approved vendors in Singapore.

Supply Chain Management

A Tender Committee is established and comprised of Chief Procurement Officer, Contract Manager, Assistant Contract Manager, and Project Quantity Surveyor. The Committee is responsible for all decisions made during the tendering process.

Vendor Management Practices

The Group has formulated a vendor performance assessment and monitoring system to provide the Purchasing Department with a structured and systematic way to assess suppliers and sub-contractors. The evaluation of suppliers and subcontractors is based on product quality, ability in meeting contractual requirements, previous project references and delivery capability. The system also helps improve the delivery of maximum value and service quality for the Group's purchase with feedbacks received from consumers and relevant staffs.

B. SOCIAL *(Continued)*

B5. Supply Chain Management *(Continued)*

Supply Chain Management *(Continued)*

Vendor Management Practices (Continued)

Evaluations regarding suppliers and sub-contractors are conducted periodically, of which the results, regardless of its positivity and negativity, will be promptly shared with the vendors. Suppliers who continuously fail to meet the Group's requirement may be subjected to suspension for future supply.

Environmental and Social Responsibilities of Suppliers

Supplier's environmental and social risk management is one of our considerations in the Supplier Initial Assessment Report. We assess our suppliers' certified management systems such as ISO 9000, ISO/TS 16949, ISO 14000, OHSAS 18000, ISO 22000, ISO/IEC 17025, etc. in the evaluation processes. Other aspects such as quality, environment, occupational health and safety problems will be included in the assessment processes.

We included terms of site safety and environmental obligations in the Letter of Award to sub-contractors. Compound fine plus administration fees will be imposed to all sub-contractor and suppliers for any infringement of House Rules and Safety Violation.

Fair and Open Tendering

With a view to engaging all vendors in fair competition, we have made a tendering manual to be used in the tendering processes. Tender Committees will be set up to make all the decisions during the tendering process. The Group strictly bans the differentiation or discrimination on certain vendors; and it monitors and prevents all kinds of business bribery in serious manner. Employees or personnel having any direct or indirect interests associated with the vendors should not be involved in the related business activity.

B6. Product Responsibility

Providing and maintaining high quality projects and services are important for the Group to attain sustainable growth. We are committed to completing works that meet or exceed our customer's requirement not only for building safety, but also expanding our job references and developing business opportunities. To ensure high quality services and sustainable projects are delivered to our clients, the Group is engaged to monitor and inspect projects carried out by different levels of management.

During the Year, the Group was not aware of any incidents of non-compliance with laws and regulations in Singapore, including but not limited to the "Personal Data Protection Act", that have a significant impact on the Group, concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress.

B. SOCIAL *(Continued)*

B6. Product Responsibility *(Continued)*

Quality Control of Projects

As a corporation engaged in building and infrastructure projects, the Group is licensed as a General Builder Class 1 issued by the Building and Construction Authority. The Group is dedicated to maintain good service quality by implementing the Quality Policy, which is complied with international standards, and is certified with ISO 9001 Quality Management. To deliver high quality products and services that satisfy the needs and requirements of our customers and interested parties, the Group is devoted to continually improving the effectiveness of our Quality Management System.

To maintain our service quality and satisfy clients' expectation, we conduct site visits and generate a Site Visit Report to investigate different aspects. For environmental aspects, we look into type of soil, disposal of water and soil; for services including water, electricity, telecommunication, main drainage and sewage; and for other aspects like means of access, site security, hoarding requirement, parking or loading and unloading, type of adjacent building, overhead obstruction, and traffic restriction.

The Group has established Customer Communication, the policy on Quality Procedure that has clearly stated the responsibilities of Project Manager and Project Quantity Surveyor. Project Manager are responsible for attending to customer's request on site, determine and quantify customer's requirements, arranging with Project Quantity Surveyor and/or Chief Operations Officer to resolve any operational issues, and liaising with client to inspect and/or verify the finished product prior to delivery. While Project Quantity Surveyor or Project Manager are responsible to contact the client for further information and/or clarification if needed.

Customer Privacy Protection

The Group takes serious protection of our customers' information assets, and established customers' information security management systems and standards in order to strengthen the protection of customers' privacy. To maintain the confidentiality of our customers' information, our employees are professionally trained and strictly complied with standards. The Group seeks to protect our customers' information by implementing data security measures such as firewalls, anti-virus, and anti-spam solutions for our IT systems to prevent leakage of confidential information, which are reviewed and upgraded regularly.

Customer Services

To provide high quality services to customers, the Group has long established policies and procedures on Customer Focus. To collect information on customers' response and requirements, the Group gathers the details by industrial information, customer feedback, product information request, customer inquiries, customer complaints and competitors' action. The information gathered will be evaluated and used for service or product generation, review will be carried out to ensure customer satisfaction. Further studies and review shall be conducted if customers are not satisfied with the service or product.

B. SOCIAL *(Continued)*

B6. Product Responsibility *(Continued)*

Customer Privacy Protection *(Continued)*

Customer Services (Continued)

The Group has also formulated a set of policies and procedures to handle customers' feedback or complaints in a professional manner. Reviews on feedback or complaints will be conducted when a product or service-related enquiries or complaints are received. Customers' satisfaction will be evaluated after complaints are settled.

Customers can provide feedback on our services through Customer Visit Report, in which our performances on quality of material and equipment, response to instructions, progress of work delivery, quality of workmanship, site planning and control, public inconvenience, and performance during defect liability period are evaluated. Other recommendation and comments from the clients are also welcomed and recorded for further evaluation.

During the Year, no material complaints were received regarding products and services provided by the Group.

Protection of Intellectual Property ("IP") Rights

As of the latest practicable date, the Group had registered the logo of the Group as the trademark in both Hong Kong and Singapore. For any infringement of our IP, we will urge infringers to cease such action. The human resources department of the Group will take further action if infringement continues.

Advertising and Labelling

As the Group's operational process does not involve advertising and labelling practices, the information relating to advertising and labelling is considered as non-material to the Group.

B7. Anti-corruption

The Group does not allowed the occurrence of any corruptions, frauds and other behaviours going against work ethics. We consider integrity, honesty and equality as essential and vital aspects when operating our business. Policies are established and introduced within the Group for the sake of controlling and preventing situations of bribery, fraud, extortion and money laundering between shareholders or other related parties participating in our business operations and profit-making activities.

During the Year, the Group was not aware of any material non-compliance with the laws and regulations related to bribery, fraud, extortion and money laundering, including but not limited to "Prevention of Corruption Act". There were no concluded legal cases regarding corrupt practices brought against the Group or its employees during the Year.

B. SOCIAL *(Continued)*

B7. Anti-corruption *(Continued)*

Anti-corruption

The Group does not put up with any corruptions, frauds and other behaviours going against work ethics. We value integrity, honesty and equality as essential and vital aspects when operating our business. The "Potential Conflict of Interest and Code of Ethics" is included and listed in our Employee Handbook. We strongly encourage employees to declare any potential welfare conflicts, which is unacceptable under any circumstances regarding the Code of Ethics, to their managers or the Human Resources Department. All employees are requested to sign the declaration of conflict form and Code of Ethics upon joining the Group.

The Anti-Fraud, Anti-Money Laundering Policy clearly stated the basic standardized behaviours for all employees expected by the Group. The definition of "Fraud", "Money laundering", "Terrorism Financing" and "Employees" are well-illustrated in the abovementioned policy. Such related policies will be reviewed at least every two years and will be updated if needed. The administration, revision, interpretation and application of the policy need to be done by the Director in order to better analyse and broaden the coverage of the policy.

Anti-fraud

All our employees have to keep watch over the occurrences of any types of fraud and also be aware of suspicious or fraud-indicating transactions or behaviors. Punishment or other disciplinary actions will be taken by the Group if any employees are found to be involved in fraud-related activities upon the Group's operation. Disciplinary actions received by individuals based on the level of severity include the termination of contract of employment, or report to relevant law enforcement and/or regulatory authorities for implementing independent investigation.

Anti-money Laundering

The Head of Finance Office conducts an annual assessment analyzing the risk of money laundering during the Group's operation. Corresponding department is responsible for conducting due diligence before choosing and accepting other business counterparties during trading activities. The Finance Director will report to the Audit Committee directly if any unusual activities are spotted with indicators of money laundering.

Whistle-blowing Mechanism

The Group urges to maintain and reach the highest standards of receptivity, fairness and liability by developing a Reporting Procedure. Apart from counting on management team to detect suspicious activities, employees are recommended to inform the Head of Department, or where that is not possible, to the Director of any noticed fraudulent activities.

B. SOCIAL *(Continued)*

B7. Anti-corruption *(Continued)*

Anti-corruption *(Continued)*

Whistle-blowing Mechanism (Continued)

The Group also implements an Investigative Procedure for the organization of investigations and all investigations will be conducted by the Director so to ensure all investigators having free and unrestricted access to all company records and premises, either owned or leased. By giving the authorities to investigators, they are authorized to examine, analyze, copy and/or extract all or any part of the contents of the Group's files, desks, cabinets and other storage facilities in all owned premises without advanced notice or acknowledgement of any individual possessing any such items or facilities which falls within the scope of investigation.

We are dedicated to protecting an individual's identity when issues are posed about not wanting their identity to be revealed to other parties. Still and all, identification of the source of the information and the statement made by the individual will still be shared with investigators as evidences when there is an investigation related to malpractice. All details of the investigation should be kept confidential all the time in order to avoid any misguided allegations and also avert any precaution that can be done by suspected individuals. No extra or unnecessary details and results of investigations will be enclosed to individuals.

B8. Community Investment

In order to demonstrate corporate citizenship, we believe that it can be done through social participation and contribution. We can also build up our corporate culture and raise our employees' interest towards social concerns and devotion in daily work life. The human capital of our employees can be embraced in our social management strategies and help sustain our corporate social responsibility, which is the critical part of the Group's strategic development.

Community Participation

We have participated in numerous community activities by helping the ones in need in the society, like donations or participating in activities helping the less fortune. During the Year, the Group has donated S$1,000 to Daikin Singapore 35th Anniversary Charity Golf Tournament, which was held in 2 August, 2019, in order to help the disabilities in society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions — Air Emissions, GHG Emissions, Sewage Discharge, Waste Management
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions — Air Emissions, GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management Not applicable — Explained
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions — Air Emissions, GHG Emissions
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED *(Continued)*

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Efficiency
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources — Water Consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Efficiency
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of Packaging Material Not applicable — Explained
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Environmentally Friendly Construction Methods, Noise Control

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED *(Continued)*

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED *(Continued)*

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work related fatalities.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED *(Continued)*

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED *(Continued)*

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hon Corporation Limited
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Hon Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 92 to 171, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

BASIS FOR DISCLAIMER OF OPINION

Multiple Material Uncertainties Related to Going Concern

We draw attention to Note 1 to consolidated the financial statements, which indicates that the Group reported a net comprehensive loss of S$5,005,000 and net cash outflows from operating activities of S$11,823,000 for the financial year ended 31 December 2019 and, as of 31 December 2019, the Group's aggregate bills payables and borrowings amounted to approximately S$29,105,000, out of which S$24,306,000 will be due for repayment within twelve months from 31 December 2019; while its cash and bank balances amounted to approximately S$184,000. As at 31 December 2019, the Group's subsidiary, Hon Industries Pte Ltd ("HIPL"), has breached a debt covenant with a financial institution as the Company's controlling shareholders diluted their equity interest in the Company to below 51%. As a result, bills payables and borrowings amounting to S$4,490,000, which were already classified as current liabilities as at 31 December 2019, became immediately due and payable.

Subsequent to the financial year and as disclosed in Note 45 to the consolidated financial statements, the Group received (a) demand letters from several financial institutions (including the abovementioned financial institution) ("primary lenders") to demand repayment of bills payables and borrowings amounting to S$17,401,000. As at the date of authorisation of these financial statements, the Group is in negotiations with the primary lenders to defer the payments on an instalment basis; (b) a proposed winding up application of HIPL. Following the High Court hearing on 12 June 2020, management settled the claim with the plaintiff amounting to S$240,000; and (c) Writ of Summons from various creditors amounting to S$7,223,000 in which the legal proceedings are still on going as at the date of authorisation of these financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Multiple Material Uncertainties Related to Going Concern *(Continued)*

In addition, amidst the present market slow-down due to the COVID-19 pandemic, 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 in Singapore from 7 April 2020 to 1 June 2020. In Phase 1 of the post "Circuit Breaker" period, the Group was also unable to resume construction activities on its ongoing projects. As Singapore moves into Phase 2 of the post "Circuit Breaker" period from 19 June 2020, there is still no certainty of resumption as approval has not been obtained from the relevant authorities. Consequently, the Group is exposed to an increased liquidity risk in relation to its ability to repay indebtedness when they fall due.

The financial statements have been prepared on a going concern basis, the validity of which is dependent on the timing of resumption of operations and the outcomes of various plans and measures that the directors of the Company have or intend to put in place, which are subject to material uncertainties, including

i. The ability of the Group to resume its operations from the third quarter of 2020 to enable progress billings to be made and collected, along with the improvement of the operating environment, amidst the significant uncertainties arising from the prolonged COVID-19 pandemic.

ii. Successful negotiations with the primary lenders to defer the payments for the bills payables and borrowings amounting to S$17,401,000 on an instalment basis.

iii. Continued support from the Group's existing banker in providing credit and overdraft facilities. As at the date of authorisation of the financial statements, the Group has fully utilised the overdraft facilities of S$2,500,000.

iv. Successful negotiation with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future. As at the date of authorisation of the financial statements, the Group has received a letter of offer from a banker for a loan facility of S$3,500,000 which is expected to be received in August 2020.

v. Successful agreement with the Group's creditors of settlement arrangements beyond the credit period where applicable, including successful settlement of the legal proceedings with creditors who have served Writ of Summons to the Group, so as to ensure no further disputed claims and that no action or any further legal action will be taken by the creditors to demand immediate repayment, which may include winding up applications.

vi. Successful in raising additional new capital through private placement of new shares and that the financial support from the substantial shareholder of the Company will be forthcoming when needed.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Multiple Material Uncertainties Related to Going Concern *(Continued)*

These events or conditions, along with other matters as set forth in Note 1, indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Arising from these multiple uncertainties which are significant to the Group's ability to continue as a going concern, we are unable to conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of these accompanying financial statements.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the financial statements.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants ("IESBA") Code of Ethics (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ronny Chandra.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
Singapore

29 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Note	**S$'000**	S$'000
Revenue	6	**68,188**	94,410
Cost of services		**(65,297)**	(83,753)
Gross profit		**2,891**	10,657
Other income	7	**652**	1,800
Other gains or losses	8	**(748)**	(158)
Administrative expenses		**(7,618)**	(9,272)
Finance costs	9	**(1,051)**	(616)
(Loss) Profit before tax		**(5,874)**	2,411
Income tax benefits (expense)	10	**184**	(1,226)
(Loss) Profit for the year	11	**(5,690)**	1,185
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss			
Gain on revaluation of properties	31	**685**	370
Total comprehensive (expense) income for the year		**(5,005)**	1,555
(Loss) Earnings per share (in SGD cents)	14	**(0.01)**	0.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019** **S$'000**	2018 S$'000
Non-current assets			
Property, plant and equipment	15	**13,925**	15,165
Right-of-use assets	16	**1,693**	—
Financial asset at fair value through profit or loss	17	**328**	328
Other receivables	20	**5,158**	—
		21,104	15,493
Current assets			
Trade receivables	19	**12,419**	10,635
Deposits, prepayments and other receivables	20	**11,667**	3,231
Contract assets	21	**31,140**	42,154
Pledged bank deposits	22	**3,305**	801
Bank balances and cash	22	**184**	5,765
		58,715	62,586
Current liabilities			
Trade and other payables	23	**33,216**	35,953
Bills payables	24	**19,737**	12,781
Contract liabilities	21	**51**	—
Obligation under finance leases	25	**—**	370
Lease liabilities	25	**388**	—
Borrowings	26	**4,569**	1,092
Amounts due to directors	27	**207**	—
Income tax payable		**10**	1,199
		58,178	51,395
Net current assets		**537**	11,191
Total assets less current liabilities		**21,641**	26,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 S$'000	2018 S$'000
Non-current liabilities			
Obligations under finance leases	25	**—**	374
Lease liabilities	25	**804**	—
Borrowings	26	**4,799**	5,067
Deferred tax liabilities	18	**—**	200
		5,603	5,641
Net assets		**16,038**	21,043
Capital and reserves			
Share capital	28	**846**	846
Share premium	29	**7,722**	7,722
Merger reserve	30	**6,500**	6,500
Revaluation reserve	31	**3,727**	3,042
(Accumulated losses) Retained earnings		**(2,757)**	2,933
Equity attributable to owners of the Company		**16,038**	21,043

The consolidated financial statements on pages 92 to 171 were approved and authorised for issue by the Board of Directors on 29 June 2020 and are signed on its behalf by:

Ho Lien Hwai
Executive Director

Teng Ley Peng
Executive Director

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital S$'000	Share premium S$'000	Merger reserve S$'000	Revaluation reserve S$'000	(Accumulated losses)/ Retained earnings S$'000	Total S$'000
Balance at 1 January 2018	6,500	—	—	2,672	1,748	10,920
Profit for the year	—	—	—	—	1,185	1,185
Gain on revaluation of properties	—	—	—	370	—	370
Total comprehensive income for the year	—	—	—	370	1,185	1,555
Issue of shares pursuant to the Reorganisation (Notes 2 & 28)	—	—	6,500	—	—	6,500
Elimination of the share capital pursuant to the Reorganisation (Note 2)	(6,500)	—	—	—	—	(6,500)
Issue of shares under the capitalisation issue (Note 28)	634	(634)	—	—	—	—
Issue of shares under Share Offer (Note 28)	212	10,360	—	—	—	10,572
Share issue expenses	—	(2,004)	—	—	—	(2,004)
Transactions with owners, recognised directly in equity	(5,654)	7,722	6,500	—	—	8,568
Balance at 31 December 2018	**846**	**7,722**	**6,500**	**3,042**	**2,933**	**21,043**
Loss for the year	**—**	**—**	**—**	**—**	**(5,690)**	**(5,690)**
Gain on revaluation of properties	**—**	**—**	**—**	**685**	**—**	**685**
Total comprehensive expense for the year	**—**	**—**	**—**	**685**	**(5,690)**	**(5,005)**
Balance at 31 December 2019	**846**	**7,722**	**6,500**	**3,727**	**(2,757)**	**(16,038)**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	2019 S$'000	2018 S$'000
Operating activities		
(Loss) Profit before tax	**(5,874)**	2,411
Adjustments for:		
Finance costs	**1,051**	616
Interest income	**(16)**	(3)
Depreciation of right-of-use assets	**343**	—
Depreciation of property, plant and equipment	**838**	1,202
Allowance for credit losses on trade receivables	**659**	100
Loss on disposal of right-of-use assets	**171**	—
(Gain) Loss on disposal of property, plant and equipment	**(81)**	58
Operating cash flows before movement in working capital	**(2,909)**	4,384
(Increase) Decrease in trade receivables	**(2,443)**	1,285
(Increase) Decrease in deposits, prepayments and other receivables	**(13,594)**	5,043
Decrease (Increase) in contract assets	**11,014**	(16,566)
Increase (Decrease) in contract liabilities	**51**	(782)
(Decrease) Increase in trade and other payables	**(2,737)**	6,057
Cash used in operations	**(10,618)**	(579)
Income tax paid	**(1,205)**	(48)
Net cash used in operating activities	**(11,823)**	(627)
Investing activities		
Interest received	**16**	3
Net cash outflow on disposal of subsidiaries (Note 37)	**—**	(1)
Purchase of property, plant and equipment	**(294)**	(1,438)
Proceeds from disposal of property, plant and equipment	**367**	108
Proceeds from disposal of an investment property	**—**	925
Repayment from shareholders	**—**	243
Placement of pledged deposits	**(2,504)**	(97)
Net cash used in investing activities	**(2,415)**	(257)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	2019 S$'000	2018 S$'000
Financing activities		
Interest paid	**(1,051)**	(616)
Increase (Decrease) in bills payables	**6,956**	(1,614)
Transaction costs directly attributable to issue of shares	**—**	(2,004)
Proceeds from issue of new shares	**—**	10,572
Repayment of borrowings	**(276)**	(1,666)
Repayment of lease liabilities	**(664)**	—
Repayment of obligations under finance leases	**—**	(740)
Amounts due to directors	**207**	—
Net cash from financing activities	**5,172**	3,932
Net (decrease) increase in cash and cash equivalents	**(9,066)**	3,048
Cash and cash equivalents at beginning of the year	**4,959**	1,911
Cash and cash equivalents at end of the year	**(4,107)**	4,959
Represented by:		
Cash and cash equivalents (Note 22)	**184**	5,765
Bank overdrafts (Note 26)	**(4,291)**	(806)
	(4,107)	4,959

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. GENERAL

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 is at Blk 20, Ang Mo Kio Industrial Park 2A, #07–33 AMK Techlink, Singapore 567761. The shares of the Company are listed on the GEM of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") with effect from 7 November 2018.

The Company is an investment holding company and its major operating subsidiary, Hon Industries Pte. Ltd. ("Hon Industries") is principally engaged in the building construction, engineer and construct project management service as set out in Note 39 to the consolidated financial statements.

The consolidated financial statements are presented in Singapore dollars ("S$"), which is also the functional currency of the Company.

The consolidated financial statements for the financial year ended 31 December 2019 are authorised for issue by the Board of Directors of the Company on 29 June 2020.

Going Concern

The Group reported a net comprehensive loss of S$5,005,000 and net cash outflows from operating activities of S$11,823,000 for the financial year ended 31 December 2019 and, as of 31 December 2019, the Group's aggregate bills payables and borrowings amounted to approximately S$29,105,000, out of which S$24,306,000 will be due for repayment within twelve months from 31 December 2019; while its cash and bank balances amounted to approximately S$184,000. As at 31 December 2019, the Group's subsidiary, Hon Industries Pte Ltd ("HIPL"), has breached a debt covenant with a financial institution as the Company's controlling shareholders diluted their equity interest in the Company to below 51%. As a result, bills payables and borrowings amounting to S$4,490,000, which were already classified as current liabilities as at 31 December 2019, became immediately due and payable.

Subsequent to the financial year and as disclosed in Note 45 to the consolidated financial statements, the Group received (a) demand letters from several financial institutions (including the abovementioned financial institution) ("primary lenders") to demand repayment of bills payables and borrowings amounting to S$17,401,000. As at the date of authorisation of these financial statements, the Group is in negotiations with the primary lenders to defer the payments on an instalment basis; (b) a proposed winding up application of HIPL. Following the High Court hearing on 12 June 2020, management settled the claim with the plaintiff amounting to S$240,000; and (c) Writ of Summons from various creditors amounting to S$7,223,000 in which the legal proceedings are still ongoing as at the date of authorisation of these financial statements.

1. GENERAL *(Continued)*

Going Concern *(Continued)*

In addition, amidst the present market slow-down due to the COVID-19 pandemic, 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 in Singapore from 7 April 2020 to 1 June 2020. In Phase 1 of the post "Circuit Breaker" period, the Group was also unable to resume construction activities on its ongoing projects. As Singapore moves into Phase 2 of the post "Circuit Breaker" period from 19 June 2020, there is still no certainty of resumption as approval has not been obtained from the relevant authorities. Consequently, the Group is exposed to an increased liquidity risk in relation to its ability to repay indebtedness when they fall due.

In view of these circumstances, the directors of the Company have given careful consideration of the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. For this purpose, management has prepared a 12 months consolidated cash flows forecasts period ending 30 June 2021 (the "Cash Flows Forecast") based on the latest available financial information. In preparing the Cash Flows Forecast, the following judgement and assumptions have been taken by the Group:

i. The COVID-19 pandemic would not be getting worse and the operating environment would gradually improve from the third quarter of 2020 and the Group's operations performance would be in line with this trend, but with some time lag. In preparing the Cash Flows Forecast, management has assumed that construction activities will resume in July 2020.

ii. Management is actively engaged in negotiations with the primary lenders to defer the payments for the bills payables and borrowings amounting to S$17,401,000 on an instalment basis. In preparing the Cash Flows Forecast, management has assumed agreement by the primary lenders for the instalment plans.

iii. Continued support from the Group's existing bankers in providing credit and overdraft facilities. As at the date of authorisation of the financial statements, the Group has fully utilised the overdraft facilities of S$2,500,000. In preparing the Cash Flows Forecast, management has assumed that the overdraft facilities will not be withdrawn and repayment will not be demanded.

iv. The Group is in the process of negotiating with bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future. As at the date of authorisation of the financial statements, the Group has received a letter of offer from a banker for a loan facility of S$3,500,000 which is expected to be received in August 2020 and included in the Cash Flow Forecast.

1. GENERAL *(Continued)*

Going Concern *(Continued)*

v. The Group has been arranging for settlement of part of the trade payables outstanding to its creditors. The Group has ongoing communication with its creditors, and monitored closely any settlement requests of trade payables. In the opinion of the directors of the Company, it is expected that the Group could further negotiate with its creditors and agree on the settlement arrangements beyond the credit period where applicable including successful settlement of the legal proceedings with creditors who have served Writ of Summons to the Group, so as to ensure that no action or any further legal action will be taken by the creditors to demand immediate repayment, which may include winding up applications. In preparing the Cash Flows Forecast, management has assumed agreement and support from the creditors and expects no further disputed claims.

vi. The Group is able to raise additional new capital by carrying out fund raising activities through private placement of new shares and obtain financial support from the substantial shareholder of the Company, which will enable the Group to continue as a going concern and to settle its liabilities as and when they fall due.

vii. The Group is taking measures to tighten cost control over various costs with an aim to attain profitable and positive cash flow operations. In addition, the Group has applied for the COVID-19 related subsidies applicable to the Group, which will further reduce the operation costs of the Group to a certain extent.

The above matters represent material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concern, and therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, management is confident that the strategies in place to improve the operating performance and financial position of the Group and the Company will allow it to continue in operational existence for the foreseeable future.

Accordingly, the accompanying financial statements did not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group and the Company were unable to continue as going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; (ii) provide for further liabilities that might arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying financial statements in respect of these.

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Before the completion of the reorganisation as mentioned below ("the Reorganisation"), Hon Industries is owned by Mr. Ho Lien Hwai ("Mr. Ho") and Mr. Lim Shi Min ("Mr. Lim"), the directors and controlling shareholders of the Company.

In preparation of the listing of the Company's shares on the GEM of the Stock Exchange ("the Listing"), the companies comprising the Group underwent the Reorganisation as described below:

(i) On 30 October 2017, Bizstar Global Limited ("Bizstar Global") was incorporated in the British Virgin Islands with limited liability with authorised share capital of 50,000 shares of US$1.00 par value of a single class. Mr. Ho and Mr. Lim subscribed for and Bizstar Global allotted and issued 7 shares and 3 shares, representing 70% and 30%, respectively, of issued share capital of Bizstar Global, to Mr. Ho and Mr. Lim at par on 16 January 2018;

(ii) On 31 October 2017, Energy Turbo Limited ("Energy Turbo") was incorporated in the British Virgin Islands with limited liability with authorised share capital of 50,000 shares of US$1.00 par value of a single class. The Company subscribed for and Energy Turbo allotted and issued 1 share to the Company at par on 9 February 2018;

(iii) On 31 December 2017, Hon Industries and Mr. Tan Gim Chwee ("Mr. Tan"), the non-controlling shareholder of Advanced Engineering Group (International) Pte. Ltd. ("Advanced Engineering"), entered into a sale and purchase agreement, pursuant to which Hon Industries transferred the entirety of its 57.9% interest in the issued share capital of Advanced Engineering to Mr. Tan at a consideration of S$5,000 and the disposal has been completed on 31 December 2017;

(iv) On 8 February 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, one nil-paid share was allotted and issued to the initial subscriber, an independent third party. On the same date, the share was transferred to Bizstar Global; and

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

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Upon the completion of the Reorganisation on 8 October 2018, the Company became the holding company of the subsidiaries now comprising the Group.

As details above, the Group resulting from the Reorganisation, which involves interspersing investment holding companies (including the Company and Energy Turbo) between Hon Industries and its controlling shareholders is continued to be controlled by the controlling shareholders and is regarded as a continuing entity (pooling of interest). Accordingly, the consolidated financial statements have been prepared on the basis as if the Company has always been the holding company of the companies now comprising the Group throughout the two years ended 31 December 2018, or since their respective dates of incorporation, whichever is a shorter period.

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

New and amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements and the impact of the adoption of IFRS 16 on the Group's consolidated financial statements are described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and

- does not permit restatement of comparatives, which continue to be presented under IAS 17.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

IFRS 16 Leases *(Continued)*

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a lease* will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

IFRS 16 Leases *(Continued)*

(b) Impact on Lessee Accounting (Continued)

(i) Former operating leases *(Continued)*

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

IFRS 16 Leases *(Continued)*

(b) Impact on Lessee Accounting (Continued)

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

(c) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 5%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2019 **S$'000**
Operating lease commitments as at 31 December 2018	**307**
Effect of discounting the above amounts	**(45)**
Finance lease liabilities recognised under IAS 17 as at 31 December 2018 (Note 25)	**744**
Lease liabilities recognised as at 1 January 2019	**1,006**
Analysed as:	
Current	**454**
Non-current	**552**
	1,006

In addition, the Group recognised right-of-use assets of S$1,357,000 as at 1 January 2019 upon transition to IFRS 16 as disclosed in Note 16.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 10 and IAS 28	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendment to IAS 1	*Classification of Liabilities as Current or Non-current*[4]

1. Effective for annual periods beginning on or after 1 January 2020.
2. 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.
3. Effective for annual periods beginning on or after 1 January 2021.
4. Effective for annual periods beginning on or after 1 January 2022.
5. 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 statements of the Group in future periods during their initial adoption.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Company Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at fair values at the end of reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicates that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains controls until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses, from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is earlier.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs; or

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Revenue from project works is described in the accounting policy on construction contracts below.

Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

Revenue from project works is recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. Progress towards complete satisfaction is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred for work performed to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract cost), that best depict the Group's performance in transferring control of goods or services.

The contract assets on construction contracts represent the Group's right to consideration for work completed and not billed as the rights are conditioned on the Group's future performance in satisfying the respective performance obligations.

The contract liabilities on construction contracts represent the Group's obligation to transfer project works to customers for which the Group has received consideration from the customers.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and pledged fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Policies applicable from 1 January 2019 *(Continued)*

The Group as a lessee (Continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Policies applicable from 1 January 2019 *(Continued)*

The Group as a lessee (Continued)

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'right-of-use assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Administrative expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the related lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of the non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund ("CPF"), are dealt with as payments to defined contribution plans where the Company's obligation under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profits as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed as at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period in when the liability is settled or the asset is realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right- of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment loss. Revaluations are performed with sufficient regularly such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising from revaluation of such leasehold land and buildings is recognised in other comprehensive income and in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognise as an expense, in which case the increase is credited to consolidated statement of profit or loss and other comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of such leasehold land and buildings is recognised in consolidated statement of profit or loss and other comprehensive income to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in consolidated statement of profit or loss and other comprehensive income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in consolidated statement of profit or loss and other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or valuation of assets (other than leasehold land and buildings) over their estimated useful lives, using the straight-line method, at the following bases:

Leasehold land and buildings	2.5%
Office equipment	33.3%
Plant and machinery	10% to 20%
Motor vehicles	10% to 20%
Furniture and fittings	20%
Office renovation	10% to 20% or the lease term, whichever is shorter.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property, plant and equipment acquired under finance lease obligation are capitalised in the consolidated financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the consolidated statement of profit or loss and other comprehensive income to give a constant periodic rate of interest on the remaining finance lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Impairment of tangible assets

At the end of reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss using the effective interest method and is included in the "other income" line item (Note 7).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. All recognised financial assets of the Group that are within the scope of IFRS 9 (including trade receivables, other receivables, bank balances and cash) are subsequently measured at amortised costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables and deposits, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets and measures the lifetime ECL for portfolios of trade receivables and contract assets that share similar economic risk characteristics. The ECL on these financial assets are estimated using an analysis of assets by risk level of customers and apply a probability-weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimate of the credit losses is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history); ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over two years, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification of debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not i) contingent consideration of an acquirer in a business combination; ii) held-for-trading; or iii) designated measured as at FVTPL, are subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivables can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, other than those disclosed in Note 1, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

Revenue recognition of construction work

The Group recognises contract revenue and profit of a construction contract during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. Progress towards complete satisfaction is measured based on input method. Estimated construction revenue is determined with reference to the terms of the relevant contracts. Contract costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major subcontractors or suppliers involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

As at 31 December 2019, the carrying amounts of contract assets and contract liabilities are disclosed in Note 21.

Estimated impairment of trade receivables, other receivables and contract assets

The Group recognises lifetime ECL for trade receivables, other receivables and contract assets, using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. As at 31 December 2019, the carrying amounts of trade receivables, other receivables and contract assets were approximately S$12,419,000 (2018: S$10,635,000), S$10,072,000 (2018: S$2,000) and S$31,140,000 (2018: S$42,154,000) respectively.

6. REVENUE AND SEGMENT 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. The accounting policies are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements. No analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial performance of the Group as a whole. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented.

Revenue from major services

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

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Project works for:		
Building and infrastructure	**41,268**	70,381
Interior decoration	**3,897**	6,009
Term contracts	**23,023**	18,020
	68,188	94,410

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major services *(Continued)*

Revenue are derived from the below customers:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Government and governmental bodies	**49,361**	70,960
Private companies	**18,827**	23,450
	68,188	94,410

All 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.

As at 31 December 2019, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S$104,431,000 (2018: S$111,919,000). The directors 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 years contributing over top 5 customers of the major services are as follows:

	Building and infrastructure		Interior decoration		Term contracts	
	2019	2018	**2019**	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000	**S$'000**	S$'000
Customer I	**9,124**	35,589	**3,305**	2,845	**10,389**	7,830
Customer II	**8,326**	17,389	**592**	1,865	**5,943**	7,038
Customer III	**6,922**	9,926	**—**	1,266	**2,921**	1,940
Customer IV	**5,058**	3,172	**—**	33	**2,106**	1,212
Customer V	**5,026**	2,529	**—**	—	**1,321**	—

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.

7. OTHER INCOME

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Government grant and subsidies[(i)]	**99**	90
Engineering service income	**—**	840
Rental income	**137**	563
Secondment income	**352**	—
Sales of scrap metal	**18**	288
Sundry income	**46**	19
	652	1,800

Note:

(i) The government grants and subsidies received mainly comprise the National Environmental Agency Quieter Construction Fund Scheme ("QCF") for year 2019 and Special Employment Credit ("SEC") for year 2018 in Singapore.

Under QCF, the government aims to provide financial support for purchase of quieter construction equipment and noise control equipment. Under SEC, the government aims to encourage and facilitate Singapore registered business to hire older Singaporean workers.

8. OTHER GAINS OR LOSSES

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Allowance for credit losses on trade receivables	**(659)**	(100)
Loss on disposal of property, plant and equipment	**(89)**	(58)
Compensation expenses[(i)]	**—**	(2,284)
Compensation income from insurance company[(ii)]	**—**	2,284
	(748)	(158)

Notes:

(i) In prior year, the amount represented payments of claim arising from loss and damage to property in respect of an accidental fire incident at the work site of a project in May 2017 ("Claims"). An amount of S$2,834,000 was paid to the relevant employees and subcontractors during the year ended 31 December 2018.

The remaining balance of S$881,000 was included in claims payables (Note 23) at the end of reporting period.

(ii) In prior year, the amount represented the income from an insurance company in relation to the Claims. An amount of S$5,044,000 was received during the year ended 31 December 2018.

The remaining balance S$61,000 was included in insurance claims receivables (Note 20) as at the end of reporting period.

9. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Interest on:		
Bank borrowings	**200**	157
Bills payables	**655**	391
Lease liabilities	**68**	—
Finance leases	**—**	52
Bank overdrafts	**128**	16
	1,051	616

10. INCOME TAX BENEFIT (EXPENSE)

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Tax expense comprises:		
Current tax:		
— Singapore corporate income tax ("CIT")	**—**	(1,189)
— Underprovision in prior years	**(16)**	(48)
Deferred tax (Note 18)	**200**	11
	184	(1,226)

The tax (credit) charge for the year can be reconciled to the (loss) profit before tax as follows:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
(Loss) Profit before tax	**(5,874)**	2,411
Tax at Singapore CIT rate of 17%	**(999)**	410
Tax effect of expenses not deductible for tax purpose	**226**	840
Underprovision of income tax in prior years	**16**	48
Effect of tax concession[(i)]	**—**	(69)
Deferred tax assets not recognised during the year	**573**	—
Others	**—**	(3)
Income tax expense for the year	**(184)**	1,226

Note:

(i) Tax concession pertains to incentive schemes given by the Singapore tax authority.

As at the end of the reporting period, the Group has unutilised tax losses and unabsorbed capital allowances amounting to S$2,717,000 and S$654,000, respectively, which are available for offsetting against future taxable income subject to the agreement of the Comptroller of Income Tax including compliance with certain conditions of the Singapore Income Tax Act. No deferred tax asset has been recognised in the financial statements due to the unpredictability of future profit streams.

11. (LOSS) PROFIT FOR THE YEAR

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
(Loss) Profit for the year has been arrived at after charging/ (crediting):		
Directors' emoluments (Note 12):		
Salaries, allowances and other benefits	**1,134**	906
Retirement benefit scheme contributions	**48**	36
	1,182	942
Other staff costs:		
Salaries, wages and other benefits	**5,536**	7,476
Retirement benefits scheme contributions	**285**	340
	5,821	7,816
Total staff costs	**7,003**	8,758
Audit fees paid to auditors of the Company:		
Annual audit fees	**150**	135
Audit fees in connection with the listing of the Company	**—**	345
Audit fees paid to member firm of the auditors of the Company:		
Audit fees in connection with the listing of the Company	**—**	305
Listing expenses[(i)]	**—**	3,878
Depreciation of property, plant and equipment	**838**	1,202
Depreciation of right-of-use assets	**343**	—
Total depreciation	**1,181**	1,202
Loss on disposal of right-of use assets	**171**	—
(Gain) Loss on disposals of property, plant and equipment	**(81)**	58
Cost of materials recognised as expenses	**3,281**	9,556
Subcontractor costs recognised as expenses	**55,667**	61,551
Gross rental income from investment properties	**—**	(5)
Less: Direct operating expenses incurred for investment properties that generated rental during the year	**—**	3
	—	(2)
Allowance for credit losses on trade receivables	**659**	100

Note:

(i) Included in listing expenses are non-audit fees of S$345,000 paid to the auditors of the Company and S$305,000 paid to member firm of auditors of the Company in relation to the Company's listing on the GEM of the Stock Exchange on 7 November 2018.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Name	Position	Date of appointment as the directors of the Company	Date of resignation as the directors of the Company
Mr. Ho Lien Hwai ("Mr. Ho")	Executive Director	8 February 2018	—
Mr. Lim Shi Min ("Mr. Lim")	Executive Director	8 February 2018	10 January 2020
Ms. Ng Mei Yun ("Ms. Ng")	Executive Director	8 February 2018	20 December 2019
Mr. Lau Wang Lap	Independent non-executive Director	4 October 2018	—
Mr. Chan Shun Yin	Independent non-executive Director	4 October 2018	30 November 2019
Mr. Ng Chye Kim	Independent non-executive Director	4 October 2018	23 January 2020
Ms. Luk Huen Ling Claire	Independent non-executive Director	30 November 2019	—
Ms. Teng Ley Peng ("Ms. Peng")	Executive Director	20 December 2019	—
Mr. Toh Hock Ghim ("Mr. Toh")	Non-executive Director	10 January 2020	—
Mr. Mahtani Bhagwandas	Independent non-executive Director	23 January 2020	—
Mr. Ong Kim Huat	Independent non-executive Director	23 January 2020	—
Mr. Luo Jiakun	Non-executive Director	22 April 2020	—

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Details of the emoluments paid or payable (including emoluments for the services as employees or directors of the Group entities prior to becoming directors of the Company) to the directors and chief executive of the Company for their services rendered to the entities comprising the Group are as follows:

	Fee	Salaries, allowances and other benefits	Discretionary bonus[ii]	Retirement benefit scheme contributions	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
Year ended 31 December 2019					
Mr. Ho[i]	—	**360**	—	**12**	**372**
Mr. Lim	—	**360**	—	**12**	**372**
Ms. Ng	—	**201**	—	**12**	**213**
Ms. Teng	—	**114**	—	**12**	**126**
Mr. Lau Wang Lap	**33**	—	—	—	**33**
Mr. Ng Chye Kim	**33**	—	—	—	**33**
Mr. Chan Shun Yin	**30**	—	—	—	**30**
Ms. Luk Huen Ling Claire	**3**	—	—	—	**3**
	99	**1,035**	—	**48**	**1,182**
Year ended 31 December 2018					
Mr. Ho[i]	—	352	10	12	374
Mr. Lim	—	352	10	12	374
Ms. Ng	—	164	3	12	179
Mr. Lau Wang Lap	5	—	—	—	5
Mr. Ng Chye Kim	5	—	—	—	5
Mr. Chan Shun Yin	5	—	—	—	5
	15	868	23	36	942

Notes:

(i) Mr. Ho was appointed as an executive director and the chairman of the board of directors of the Company. In addition to above, the Group had purchased a life insurance policy with an insurance company to insure Mr. Ho (Note 17).

On 10 January 2020, Mr. Ho has ceased to act as the chairman of the board of directors but remains as an executive director and chief executive officer of the Company.

(ii) Discretionary bonus was determined with reference to the Group's operating results and individual performance of the executive directors of the Company.

(iii) No other retirement benefits were paid to Mr. Lim, Ms. Ng or Ms. Teng in respect of their respective other services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The Executive Directors' emoluments shown above were for their services in connection with the management affairs of the Company and the Group.

The Independent Non-Executive Directors' emoluments shown above were for their services as directors of the Company.

During the year, no remuneration was paid by the Group to the directors or as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration during the year.

Employees' remuneration

The five highest paid individuals of the Group included three (2018: three) executive directors for the year ended 31 December 2019. Details of the remuneration for the remaining individuals who are not directors of the Company are as follows:

	Year ended 31 December	
	2019	2018
	S$'000	S$'000
Salaries, allowances and other benefits	**314**	295
Discretionary bonus	**—**	5
Retirement benefit scheme contributions	**25**	25
	339	325

The number of the highest paid employee who are not the directors of the Company whose emoluments fell within the following band is as follows:

	Year ended 31 December	
	2019	2018
	Number of employee	
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1

13. DIVIDENDS

No dividend has been paid or declared by the Company or Group entities during year ended 31 December 2019 and 2018.

14. (LOSS) EARNINGS PER SHARE

	Year ended 31 December	
	2019	2018
(Loss) Profit attributable to the owners of the Company	**(S$5,690,000)**	S$1,185,000
Weighted average number of ordinary shares in issue	**480,000,000**	389,260,000
Basic (loss) earnings per share (S$ cents)	**(0.01)**	0.30

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings S$'000	Office equipment S$'000	Plant and machinery S$'000	Motor vehicles S$'000	Furniture and fittings S$'000	Renovation S$'000	Total S$'000
COST AND REVALUATION							
As at 1 January 2018	11,025	694	2,644	2,669	207	417	17,656
Revaluation surplus	55	—	—	—	—	—	55
Additions	1,200	17	16	—	1	203	1,437
Disposals	—	—	(95)	(418)	—	—	(513)
Written off	—	(65)	—	—	—	(43)	(108)
As at 31 December 2018	12,280	646	2,565	2,251	208	577	18,527
Adoption of IFRS 16 (Note 3)	—	—	(309)	(1,391)	—	—	(1,700)
As at 1 January 2019	12,280	646	2,256	860	208	577	16,827
Revaluation surplus	360	—	—	—	—	—	360
Additions	—	47	46	14	—	187	294
Disposals	—	—	(621)	(126)	—	—	(747)
As at 31 December 2019	12,640	693	1,681	748	208	764	16,734
ACCUMULATED DEPRECIATION							
As at 1 January 2018	—	561	1,185	848	133	203	2,930
Charged for the year	315	93	421	265	30	78	1,202
Elimination on revaluation	(315)	—	—	—	—	—	(315)
Elimination on disposals	—	—	(63)	(284)	—	—	(347)
Elimination on written off	—	(65)	—	—	—	(43)	(108)
As at 31 December 2018	—	589	1,543	829	163	238	3,362
Adoption of IFRS 16 (Note 3)	—	—	(161)	(444)	—	—	(605)
As at 1 January 2019	—	589	1,382	385	163	238	2,757
Charges for the year	325	48	237	89	21	118	838
Elimination on revaluation	(325)	—	—	—	—	—	(325)
Elimination on disposals	—	—	(404)	(57)	—	—	(461)
As at 31 December 2019	—	637	1,215	417	184	356	2,809
CARRYING VALUES							
As at 31 December 2019	12,640	56	466	331	24	408	13,925
As at 1 January 2019	12,280	57	522	475	45	339	13,718
As at 31 December 2018	12,280	57	1,022	1,422	45	339	15,165

Leasehold land and buildings are carried at valuation while all other items of property, plant and equipment are carried at cost less accumulated depreciation.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying value of the following items are assets held under finance leases:

	As at 31 December 2018 S$'000
Plant and machinery	593
Motor vehicles	1,014
	1,607

Fair value measurement of the Group's leasehold land and buildings

The fair value measurement of the Group's leasehold land and buildings as at 31 December 2019 and 2018 was performed by Roma Appraisals Limited, independent valuers located at 22/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong that is not related to the Group. The valuation committee works closely with the qualified external valuers, who is a Registered Professional Surveyor (General Practice), to establish the appropriate valuation techniques and inputs to the model.

The fair value of the leasehold land and buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the building under review.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Description	Fair value as at 31 December $'000	Valuation technique	Significant unobservable input	Relationship of unobservable inputs to fair value
2019				
Leasehold land and buildings	12,640	Market comparison approach	Average market price of $5,056 per square metre	A significant increase in the price per square foot used would result in a significant increase in fair value, and vice versa.
2018				
Leasehold land and building	12,280	Market comparison approach	Average market price of $4,900 per square metre	A significant increase in the price per square foot used would result in a significant increase in fair value, and vice versa.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value measurement of the Group's leasehold land and buildings *(Continued)*

The fair value measurement as at 31 December 2019 and 2018 is categorised as Level 3. There were no transfers into or out of Level 3 during the years ended 31 December 2019 and 2018.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of S$9,300,000 (2018: S$9,540,000) for the year ended 31 December 2019.

As at 31 December 2019 and 2018, the leasehold land and buildings are mortgaged to the bank to secure for certain bank loans of the Group (Notes 24 & 26).

16. RIGHT OF USE ASSETS

	Plant and machinery S$'000	Motor vehicles S$'000	Office space S$'000	Office equipment S$'000	Total S$'000
Cost:					
As at 1 January 2019	309	1,391	147	115	1,962
Additions	279	571	—	—	850
Disposals	(58)	(326)	—	—	(384)
As at 31 December 2019	530	1,636	147	115	2,428
Accumulated depreciation:					
As at 1 January 2019	161	444	—	—	605
Charge for the year	94	161	62	26	343
Elimination on disposals	(38)	(175)	—	—	(213)
As at 31 December 2019	217	430	62	26	735
Carrying amount:					
As at 31 December 2019	313	1,206	85	89	1,693
As at 1 January 2019	148	947	147	115	1,357

During the financial year ended 31 December 2019, certain leases for plant and equipment expired. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of S$850,000 in 2019.

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	S$'000	S$'000
Payments for life insurance policy:		
— Financial asset at fair value through profit or loss ("FVTPL")	**328**	328

On 23 March 2016, the Group entered into a life insurance policy with an insurance company to insure Mr. Ho Lien Hwai, a director of the Company (the "Policy"). Under this Policy, the Group is the beneficiary and policy holder and the total insured sum is approximately S$1,002,000. The Group paid a single premium of S$328,000 at inception. The Group can request a partial surrender or full surrender of the policy at any time and receive cash back based on the account value of the policy (the "Account Value") at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If such withdrawal is made between the 1st to 19th policy years, a pre-determined specified surrender charge would be deducted from the Account Value. This insurance company will pay the Group a guaranteed interest rate of 2% per annum and a variable return per annum afterwards during the effective period of the policy.

The payments for life insurance policy were classified as financial assets at FVTPL which are measured at fair value at the end of reporting period with any fair value gains or losses recognised in profit or loss.

18. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the reporting periods:

	As at 31 December	
	2019	2018
	S$'000	S$'000
As at 1 January	**(200)**	(211)
Recognised in profit or loss during the year:		
— Accelerated tax depreciation	**200**	11
As at 31 December	**—**	(200)

19. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	S$'000	S$'000
Trade receivables	**7,644**	7,005
Less: Allowance for credit losses	**(759)**	(100)
	6,885	6,905
Unbilled revenue[(i)]	**5,534**	3,730
Total trade receivables	**12,419**	10,635

Note:

(i) Unbilled revenue are those accrued revenue which payment certificate is issued by the customers but no billing has been raised to customer. No interest is charged on outstanding trade receivables.

The Group grants credit terms to customers typically range from 0 to 35 days from the invoice date. No interest is charged on outstanding trade receivables.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

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.

	As at 31 December	
	2019	2018
	S$'000	S$'000
Within 30 days	**6,204**	4,391
31 days to 60 days	**375**	1,365
61 days to 90 days	**35**	961
Over 90 days#	**908**	188
	7,522	6,905

\# Trade receivables past due 90 days are not considered in default as the Group considered such balances could be recovered based on historical experience. Moreover, the management of the Group are not aware of any significant change in credit quality of the trade receivables and the expected credit losses are insignificant.

19. TRADE RECEIVABLES *(Continued)*

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. In the opinion of the directors of the Company, apart from those balances for which allowances have been provided, other trade receivables at the end of reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group, subsequent settlement and forward-looking information and the Group considers any change in the expected life of the trade receivables at the end of reporting period, the management believes that no impairment allowance is necessary in respect of unsettled balances.

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. Details of the credit risk assessment are included in Note 36(b)(ii).

Movement in loss allowance:

	As at 31 December	
	2019	2018
	S$'000	S$'000
At the beginning of the year	**100**	—
Effect of adoption of IFRS 9	**—**	100
Addition during the year	**659**	—
At the end of the year	**759**	100

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) was recognised for credit-impaired trade receivables and no impairment loss was recognised for non-credit impaired trade receivables.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	S$'000	S$'000
Current:		
Deposits[(ii)]	**343**	284
Prepayments	**388**	113
Prepayments to sub-contractors[(i)]	**5,847**	2,691
Insurance claims receivables (Note 8)[(iii)]	**66**	61
Goods and services tax claimable	**109**	80
Other receivables[(ii)(iii)]	**4,914**	2
	11,667	3,231
Non-current:		
Other receivables[(ii)(iii)]	**5,158**	—
Total	**16,825**	3,231

Notes:

(i) The prepayments to sub-contractors represent downpayment for certain public residential projects. Such amounts will be utilised within 12 months after reporting period.

(ii) These balances mainly comprise of backcharges due from third party subcontractor which is unsecured amounting to S$10,280,000 of which S$7,908,000 bears an interest rate of 5.00% per annum and repayable over 24 instalments with a final payment in May 2022.

(iii) The directors of the Company considered that the ECL for other receivables, deposits and insurance claims receivables is insignificant as at 31 December 2019.

21. CONTRACT ASSETS AND LIABILITIES

	As at 31 December	
	2019	2018
	S$'000	S$'000
Analysed for reporting purposes as:		
Contract assets	**31,140**	42,154
Contract liabilities	**(51)**	—
	31,089	42,154

21. CONTRACT ASSETS AND LIABILITIES *(Continued)*

Movements of contract liabilities as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
At the beginning of the year	**—**	782
Receipt from customers	**7,887**	7,733
Revenue recognised upon the provision of project works	**(7,836)**	(8,515)
At the end of the year	**51**	—

As at 31 December 2019, included in contract assets are retention money held by customers for construction work amounted to S$4,848,000 (2018: S$6,793,000), which were expected to be recovered or settled in more than twelve months from the end of reporting period.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in satisfying the respective performance obligations at the reporting date on construction contracts in respect of project works.

The contract liabilities primarily relate to the Group's obligation to transfer project works services to customers for which the Group has received consideration from the customers.

Retention money is unsecured, interest-free and expected to be received within the Group's normal operating cycle.

The directors of the Company considered that the ECL for contract assets is insignificant as at 31 December 2019 and 2018.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	As at 31 December	
	2019	2018
	S$'000	S$'000
Pledged bank deposits[(i)]	**3,305**	801
Bank balances and cash[(ii)]	**184**	5,765

Notes:

(i) The balances represent fixed deposits placed to banks for the purpose of securing certain bills payable and borrowings as disclosed in Notes 24 and 26 respectively. The balances mature on varying dates within 1 to 12 months and carry interest ranging from 0.50% to 0.95% (2018: 0.35% to 0.70%) per annum as at 31 December 2019.

(ii) The Group's bank balances carry interest at prevailing market rate of 0.10% (2018: 0.10%) per annum as at 31 December 2019.

The directors of the Company considered that the ECL on bank balances and pledged bank deposits is insignificant as at 31 December 2019 and 2018.

23. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	S$'000	S$'000
Trade payables	**19,532**	19,843
Trade accruals	**8,786**	10,042
Retention payables	**3,589**	3,381
Claims payables (Note 8)	**24**	881
Others payables and accruals	**1,285**	1,806
	33,216	35,953

The average credit period of the trade payables is 60 days (2018: 60 days). No interest is charged on overdue trade payables.

23. TRADE AND OTHER PAYABLES *(Continued)*

The Group has financial risk management policy in place to ensure that all payable are within the credit time frame. The ageing analysis of the trade payables based on invoice date at the end of reporting periods are as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
Trade payables:		
— 1 to 30 days	**4,512**	4,136
— 31 to 60 days	**4,886**	2,824
— 61 to 90 days	**2,029**	2,373
— Over 90 days	**8,105**	10,510
	19,532	19,843

The retention payables are aged within one year based on the invoice date at the end of reporting periods.

24. BILLS PAYABLES

The ageing analysis of the bills payables based on issuance date at the end of reporting periods are as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
1 to 30 days	**4,656**	2,787
31 to 60 days	**4,260**	3,914
61 to 90 days	**6,338**	2,955
Over 90 days	**4,483**	3,125
	19,737	12,781

Bills payables are guaranteed by joint and several personal guarantees given by Mr. Ho and Mr. Lim and secured by pledged deposits (Note 22) and an insurance policy (Note 17). The effective interest rate ranging from 2.8% to 4.7% (2018: 3.2% to 4.7%) per annum as at 31 December 2019.

25. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES

Lease liabilities (disclosure required by IFRS 16)

	2019 S$'000
Maturity analysis:	
— Within one year	**437**
— More than one year but not exceeding five years	**893**
	1,330
Less: Unearned interest	**(138)**
	1,192

	2019 S$'000
Analysed as:	
Current	**388**
Non-current	**804**
	1,192

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Finance leases (disclosure required by IAS 17)

	Minimum lease payments 2018 S$'000	Present value of minimum lease payments 2018 S$'000
Obligations under finance lease payable:		
— Within one year	397	370
— More than one year but not exceeding five years	390	372
— More than five years	2	2
	789	744
Less: Future finance charges	(45)	—
Present value of lease obligations	744	744
Less: Amount due for settlement within 12 months (shown under current liabilities)		(370)
Amount due for settlement after 12 months		374

25. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

Finance leases (disclosure required by IAS 17) *(Continued)*

The Group leases certain of its motor vehicles and plant and equipment under secured finance leases (Note 15), with joint and several personal guarantees given by Mr. Ho and Mr. Lim. As represented by the management, the personal guarantees had been released upon the listing of intermediate holding company on 7 November 2018. The lease term is 7 to 10 years. As at 31 December 2018, the effective finance leases rate ranges from 1.8% to 4.0% per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

26. BORROWINGS

	As at 31 December	
	2019	2018
	S$'000	S$'000
Bank overdrafts[(i)]	**4,291**	806
Bank loan[(ii)]	**5,077**	5,353
	9,368	6,159

26. BORROWINGS *(Continued)*

Carrying amount of the above bank overdrafts and bank loan analysed are as follows:

	As at 31 December	
	2019	2018
	S$'000	S$'000
Repayable within one year	**4,569**	1,092
Repayable more than one year but not exceeding two years	**288**	295
Repayable more than two years but not exceeding five years	**900**	933
Repayable more than five years	**3,611**	3,839
	9,368	6,159
Less: Amounts due within 12 months (shown under current liabilities)	**(4,569)**	(1,092)
Amounts due for settlement after 12 months	**4,799**	5,067

Notes:

(i) Bank overdrafts are guaranteed by joint and several personal guarantees given by Mr. Ho and Mr. Lim and secured by pledged deposits (Note 22) and an insurance policy (Note 17). The effective interest rates for the floating rate bank overdrafts ranging from 5.00% to 6.75% (2018: 5.25% to 6.75%) per annum as at 31 December 2019.

(ii) The bank loans are (i) 3-months Singapore Interbank Offered Rate ("SIBOR") plus 1.0% (2018: 3.0%) per annum or (ii) 3-months (2018: 1-month) Cost of Funds of the bank plus 1% (2018: 1.15%) per annum for the year ended 31 December 2019. As at 31 December 2019, the effective interest rate on the Group's borrowings is at 2.94% (2018: 2.74%) per annum.

The bank loans are guaranteed by (i) joint and several personal guarantees given by Mr. Ho and Mr. Lim; and secured by (ii) pledged deposits (Note 22); and/or (iii) the Group's properties with an aggregate carrying value of approximately S$12,640,000 (2018: S$12,280,000) (Note 15) as at 31 December 2019.

27. AMOUNTS DUE TO DIRECTORS

The balance is non-trade related, unsecured, interest-free and repayable on demand.

28. SHARE CAPITAL

For the purpose of presenting the share capital of the Company prior to the Group Reorganisation in the consolidated statement of financial position, the balance as at 1 January 2018 represented the share capital of Hon Industries as the Company was incorporated in the Cayman Islands on 8 February 2018.

The Company was successfully listed on the GEM of the Stock Exchange on 7 November 2018 by way of placing of 108,000,000 ordinary shares and public offer of 12,000,000 new shares at the price of HK$0.50 per share ("Share Offer"). All issued shares rank pari passu in all respect with each other.

	Number of shares	**Par value** HK$	**Share capital** HK$'000
Authorised share capital of the Company:			
At date of incorporation on 8 February 2018[(i)]	38,000,000	0.01	380
Increase on 4 October 2018[(ii)]	9,962,000,000	0.01	99,620
At 31 December 2018 and 31 December 2019	10,000,000,000		100,000

	Number of shares	**Share capital** S$'000
Issued and fully paid of the Company:		
At date of incorporation on 8 February 2018[(i)]	1	—
Issue of shares pursuant to the Group Reorganisation[(iii)]	99	—
Issue of shares under the capitalisation issue[(iv)]	359,999,900	634
Issue of shares under the Share Offer[(v)]	120,000,000	212
At 31 December 2018 and 31 December 2019	480,000,000	846

28. SHARE CAPITAL *(Continued)*

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

Notes:

(i) On 8 February 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, one nil-paid share was allotted and issued to the initial subscriber, an independent third party. On the same date, the share was transferred to Bizstar Global.

(ii) On 4 October 2018, the authorised share capital of the Company increased from HK$380,000 divided into 38,000,000 shares to HK$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares which rank pari passu in all respects with the existing shares.

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

(iv) On 4 October 2018, approximately HK$3,599,999 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full at par 359,999,900 shares for allotment and issue to the shareholders in proportion to their then shareholdings in the Company so that the shares allotted and issued shall rank pari passu in all respects with the then existing issued shares. This transaction is a non-cash transaction.

(v) On 7 November 2018, the Company's total number of ordinary shares, which are issued and fully paid, increased to 480,000,000 shares by issuing 479,999,900 new shares comprising 359,999,900 shares arising from the capitalisation issue and 120,000,000 shares from public offer. The 120,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.50 per share for a total consideration of HK$60,000,000 (equivalent to approximately S$10,572,000) with listing expenses of approximately HK$11,391,000 (equivalent to approximately S$2,004,000) charged to share premium. On the same date, the issued shares were successfully listed on GEM of the Stock Exchange.

29. SHARE PREMIUM

Share premium represents the excess of share issue over the par value.

30. MERGER RESERVE

Merger reserve represents the share capital of the subsidiary when entity under common control are accounted for by applying the pooling of interest method as described in Note 2 to the financial statements.

31. REVALUATION RESERVE

The revaluation reserve arises from the revaluation of property, plant and equipment as set out in Note 15 in the financial statement.

32. SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a written resolution passed by the shareholder of the Company on 4 October 2018 (the "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 ("Shares") in the Company with a payment of HK$1 upon each grant of options offered.

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.

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

Up to the date of issuance of the consolidated financial statements, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

During the year ended 31 December 2019 and 2018, no share options has been granted nor exercised and there is no outstanding share options of the Company as at 31 December 2019 and 2018.

33. RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund Board of Singapore ("CPF"), the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For the year ended 31 December 2018, the Group contributed up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying capped at S$6,000 per month.

The total costs charged to profit and loss, amounted to S$333,000 (2018: S$376,000) for the year ended 31 December 2019, represent contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2019, the CPF contribution payables amounted to S$69,000 (2018: S$51,000) were paid subsequent to the end of the reporting period.

34. RELATED PARTY TRANSACTIONS

Apart from disclosure elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

			Year ended 31 December	
Name	**Relationship**	**Nature of transaction**	**2019**	2018
			S$'000	S$'000
Hon Builder Pte. Ltd.	Wholly-owned by Mr. Yap Meng Keong, brother-in-law of Mr. Ho	Rental income	—	35
Wee Jo Enterprise Pte. Ltd.	Owned as to 48% by Mr. Ho Nam Joo and 52% by Ms. Ho Chong Min, the brother and niece of Mr. Ho, respectively	Sub-contracting services paid	**1**	52
City Garden Pte. Ltd.	Owned as to 71.19% by Mr Lim Beng Keong the cousin of Mr. Lim	Sub-contracting services paid	—	286

Compensation of key management personnel

The directors of the Company were considered to be the key management personnel of the Company. The remuneration of the directors of the Company is set out in Note 12 to the financial statements.

35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as going concern while maximising the return to shareholders through the optimisation debt and equity balance. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bills payables, obligations under lease liabilities/obligations under finance leases and borrowings as set out in Notes 24, 25 and 26 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, reserves and accumulated losses/retained earnings.

The management reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Management regularly monitors compliance with the financial covenants imposed by financial institutions for the facilities granted to the Group. As at the end of the reporting period, the Group is in compliance with externally imposed financial covenants requirements except for during the year, Hon Industries, a wholly-owned subsidiary of the Group has breached the debt covenants with a financial institution as the controlling shareholders diluted their shares in the Company to below 51%. The Group was not able to obtain a waiver letter from the financial institution to waive the breach and hence, the Group does not have unconditional right to defer the settlement of the defaulted balance of bills payables amounting to S$2,999,000 (Note 24) and bank overdraft amounting to S$1,491,000 (Note 26) upon demand by the financial institution. As a result, bills payables and borrowings amounting to S$4,490,000, which were already classified as current liabilities as at 31 December 2019, became immediately due and payable.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December	
	2019	2018
	S$'000	S$'000
Financial assets		
Amortised cost	**26,389**	17,548
Designated as at FVTPL	**328**	328
Financial liabilities		
Amortised cost	**62,528**	54,893
Lease liabilities	**1,192**	—

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, payments for life insurance policy, pledged bank deposits, bank balances and cash, trade and other payables, bills payables, borrowings and amount due to directors. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances, and variable rate of interest incurred on overdraft and borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance leases. It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimise the fair value and cash flow interest rate risk.

The Group's floating rate borrowings are also exposed to cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) ***Market risk*** *(Continued)*

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. The following sensitivity analysis represents management's assessment of the reasonably possible change in interest rates.

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower than the SIBOR and all other variables were held constant, the Group's post-tax (loss) profit for the year ended 31 December 2019 would increase by approximately S$21,000 (2018: decrease by S$22,000).

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Foreign currency risk

At the end of reporting period, the Group is exposed to foreign currency movements in the United State dollar ("US$") and Hong Kong dollar ("HK$"). At the end of reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currency of each group entities are as follows:

	Assets As at 31 December		**Liabilities As at 31 December**	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
US$	**342**	342	**88**	12
HK$	**8**	2,710	**36**	102

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Market risk (Continued)

Foreign currency risk (Continued)

Foreign currency sensitively analysis

A 5% (2018: 5%) strengthening/weakening of the US$ and HK$ against the respective functional currencies of the group entities as at 31 December 2019 would have increased (decreased) equity and profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

	(Decrease) Increase in pre-tax loss or profit Year ended 31 December	
	2019	2018
	S$'000	S$'000
US$	**(13)**	17
HK$	**1**	130

For a 5% (2018: 5%) weakening of US$ and HK$ against the above relevant currencies at the end of the reporting period, there would be a comparable opposite effect on the Group's pre-tax loss or profit.

The Group monitors foreign currency exposure and will consider hedging significant currency exposure should the need arise.

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group is exposed to concentration of credit risk at 31 December 2019 on trade receivables from the Group's top five major customers accounted for 31% (2018: 19%) of the Group's total trade receivables. The major customers of the Group are certain reputable organisations.

In order to minimise the credit risk, the directors of the Company has delegated its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL-not credit-impaired
In default	There is evidence indicating the asset is credit impaired.	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk *(Continued)*

The tables below detail the credit quality of the Group's financial assets and contract assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount S$'000	Loss allowance S$'000	Net carrying amount S$'000
As at 31 December 2019						
Trade receivables	19	(a)	Lifetime ECL (simplified approach)	**13,178**	**(759)**	**12,419**
Deposits and other receivables	20	(a)	Lifetime ECL (simplified approach)	**10,481**	**—**	**10,481**
Contract assets	21	(a)	Lifetime ECL (simplified approach)	**31,140**	**—**	**31,140**
					(759)	

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount S$'000	Loss allowance S$'000	Net carrying amount S$'000
As at 31 December 2018						
Trade receivables	19	(a)	Lifetime ECL (simplified approach)	10,735	(100)	10,635
Deposits, and other receivables	20	(a)	Lifetime ECL (simplified approach)	347	—	347
Contract assets	21	(a)	Lifetime ECL (simplified approach)	42,154	—	42,154
					(100)	

(a) For trade receivables, deposits and other receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 19, 20 and 21 include further details on the loss allowance for these assets respectively.

The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Company only grants credit to creditworthy counterparties. Cash is held with creditworthy institutions and is subject to immaterial credit loss.

Other than concentration of credit risk on bank deposits and balances placed in 6 (2018: 6) banks in which the counterparties are financially sound and on trade receivables from top 5 customers, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. Management's and director's liquidity risk and going concern assessment is disclosed in Note 1 to the consolidated financial statements.

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable on the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year S$'000	1 year to 5 years S$'000	Total undiscounted cash flows S$'000	Total S$'000
As at 31 December 2019					
Non-interest bearing instrument					
Trade and other receivables	—	**15,618**	—	**15,618**	**15,618**
Interest bearing instruments					
Bank balances and cash	**0.1**	**185**	—	**185**	**184**
Pledge bank deposits	**0.5–0.9**	**3,329**	—	**3,329**	**3,305**
Other receivables	**5.0**	**2,230**	**5,416**	**7,646**	**7,282**
		21,362	**5,416**	**26,778**	**26,389**
As at 31 December 2018					
Non-interest bearing instrument					
Trade and other receivables	—	10,982	—	10,982	10,982
Interest bearing instruments					
Bank balances and cash	0.1	5,771	—	5,771	5,765
Pledge bank deposits	0.4–0.7	804	—	804	801
		17,557	—	17,557	17,548

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Liquidity risk management (Continued)

Non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	S$'000	S$'000	S$'000	S$'000	S$'000
As at 31 December 2019						
Non-interest bearing instruments						
Trade and other payables	**—**	**33,216**	**—**	**—**	**33,216**	**33,216**
Amounts due to directors	**—**	**207**	**—**	**—**	**207**	**207**
Interest bearing instruments						
Bills payables	**4.1**	**19,862**	**—**	**—**	**19,862**	**19,737**
Borrowings	**3.6**	**4,891**	**1,720**	**4,939**	**11,550**	**9,368**
Lease liabilities	**3.8**	**437**	**893**	**—**	**1,330**	**1,192**
		58,613	**2,613**	**4,939**	**66,165**	**63,720**
As at 31 December 2018						
Non-interest bearing instrument						
Trade and other payables	—	35,953	—	—	35,953	35,953
Interest bearing instruments						
Bills payables	3.7	12,871	—	—	12,871	12,781
Obligations under finance leases	2.3	397	392	—	789	744
Borrowings	2.7	1,275	1,693	4,375	7,343	6,159
		50,496	2,085	4,375	56,956	55,637

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of reporting period.

36. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

Fair value measurement of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2019	2018		
	S$'000	S$'000		
Unlisted life insurance policy	**328**	328	Level 3	Quoted price for insurance policy.

The fair value of the life insurance policy purchased for a key management personnel of the Group are determined based on the cash surrender value of the life insurance policy which is not an observable input. Management based on the latest information of the life insurance policy provided by the insurance company.

Based on historical change in the cash surrender value of the insurance policy, there is an average increase in cash surrender value of approximately 1% per annum during the reporting period. Applying this percentage of increase/decrease in the quoted price, the Group's profit for year ended 31 December 2019 would decrease and increase by approximately S$3,000 (2018: S$3,000).

There were no changes in Level 3 instruments during the year ended 31 December 2019 and 2018.

Fair value measurement of the Group's financial assets that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of reporting period.

37. DISPOSAL OF SUBSIDIARIES

GK Development Pte. Ltd. ("GK Development")

On 20 February 2018, Hon Industries and Mr. Wong Ka Hui Roy ("Mr. Roy Wong"), an independent third party, entered into a sale and purchase agreement, pursuant to which Hon Industries transferred the entirety of its 100% interest in the issued share capital of GK Development to Mr. Roy Wong at a consideration of S$124,000. The disposal was completed on 17 May 2018.

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

	S$'000
Cash and cash equivalent	125
Trade and other payables	(1)
Net asset derecognised	124
Cash consideration received	(124)
Gain on disposal	—
Net cash outflow arising on disposal	
Cash consideration	124
Less: bank balances and cash disposed	(125)
	(1)

38. NON-CASH TRANSACTIONS

During the year ended 31 December 2019, additional right-of-use assets amounting of S$850,000 (Note 16) was acquired under hire purchase arrangements.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company as at 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ operations	Issued and fully paid capital/ registered capital	Proportion of ownership interest/voting power held 2019 %	2018 %	Principal activities
Directly held:					
Energy Turbo	British Virgin Island	US$1	**100**	100	Investment holding.
Indirectly held:					
Hon Industries	Singapore	S$6,500,000	**100**	100	Building construction, engineer and construction project management services.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued debt securities at the end of the year.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bills payables S$'000	Borrowings (exclude bank overdraft) S$'000	Obligations under finance leases S$'000	Lease liabilities S$'000	Amounts due to directors S$'000	Total S$'000
At 31 December 2017	14,395	7,019	1,484	—	—	22,898
Financing cash flows	(2,005)	(1,839)	(792)	—	—	(4,636)
Non-cash changes:						
Finance cost recognised (Note 9)	391	173	52	—	—	616
At 31 December 2018	12,781	5,353	744	—	—	18,878
Adoption of IFRS 16	—	—	(744)	1,006	—	262
At 1 January 2019	**12,781**	**5,353**	**—**	**1,006**	**—**	**19,140**
Financing cash flows	**6,301**	**(604)**	**—**	**118**	**207**	**6,022**
Non-cash changes:						
Finance cost recognised (Note 9)	**655**	**328**	**—**	**68**	**—**	**1,051**
At 31 December 2019	**19,737**	**5,077**	**—**	**1,192**	**207**	**26,213**

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December 2019 S$'000	As at 31 December 2018 S$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary[(i)]	**3,087**	—
Current assets		
Prepayments	**44**	62
Amount due from Hon Industries	**—**	2,009
Bank balances and cash	**6**	2,708
	50	4,779
Current liability		
Other payables	**252**	588
Net current (liabilities) assets	**(202)**	4,191
Total assets less current liability, representing net assets	**2,885**	4,191
Equity		
Capital and reserves		
Share capital	**846**	846
Share premium	**7,722**	7,722
Accumulated losses	**(5,683)**	(4,377)
Equity attributable to owners of the Company	**2,885**	4,191

Note:

(i) Included in this balance is a deemed investment in Hon Industries Pte Ltd. The amount is stated at cost as it is deemed to be part of the Company's equity investment in the subsidiary, as the amounts are interest-free, repayable at discretion of the borrowers when they are able to do so.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

A summary of the Company's reserves is as follows:

	Share capital S$'000	Share premium S$'000	Accumulated losses S$'000	Total S$'000
At 8 February 2018 (date of incorporation)	—	—	—	—
Total comprehensive expense for the year:				
Loss for the year	—	—	(4,377)	(4,377)
Transactions with owner, recognised directly in equity:				
Issue of shares under the capitalisation issue	634	(634)	—	—
Issue of shares under the Share Offer	212	10,360	—	10,572
Share issue expenses	—	(2,004)	—	(2,004)
Transactions with owners, recognised directly in equity	846	7,722	—	8,568
At 31 December 2018	846	7,722	(4,377)	4,191
Total comprehensive expense for the year:				
Loss for the year	—	—	(1,306)	(1,306)
At 31 December 2019	846	7,722	(5,683)	2,885

42. PERFORMANCE BONDS

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of performance bonds and released when the construction contracts are practically completed. The performance bonds are secured by personal guarantee given by the directors of the Group.

At 31 December 2019, the Group had outstanding performance bonds amounting to S$20,974,000 (2018: S$14,601,000).

43. CAPITAL COMMITMENTS

As of 31 December 2019, the Group has capital commitments in respect of the purchase of property, plant and equipment which have been contracted, but not provided for amounting to S$Nil (2018: S$279,000).

44. OPERATING LEASES COMMITMENTS

Disclosure required by IAS 17

As lessee

	Year ended 31 December 2018 S$'000
Minimum lease payments paid under operating leases during the year	194

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 31 December 2018 S$'000
Within one year	103
In the second to fifth year inclusive	204
	307

Operating lease payments represent rentals payable by the Group for its rental premises and office equipment. Lease term are negotiated and rentals are fixed for an average of two years.

45. EVENTS AFTER THE REPORTING PERIOD

(i) The epidemic of Coronavirus Disease 2019 (the "COVID-19 pandemic") subsequent to the reporting period has adversely affected the business and economic activities of the Group as construction activities have to be halted during the "Circuit Breaker" period in Singapore from 7 April 2020 to 1 June 2020. In Phase 1 of the post "Circuit Breaker" period, the Group was also unable to resume construction activities on its ongoing projects. As Singapore moves into Phase 2 of the post "Circuit Breaker" period from 19 June 2020, there is still no certainty of resumption as approval has not been obtained from the relevant authorities. As the situation is fluid and rapidly evolving, the Group is expected to incur a loss for the first half of 2020 and the liquidity position of the Group will be adversely impacted. Notwithstanding this and as disclosed in Note 1, management and directors have assessed that the Group and the Company will have sufficient financial resources to enable the Group and the Company to continue as a going concern for at least the next twelve months from the date of authorisation of these financial statements.

(ii) On 19 January 2020, the Company allot and issue, a total of 96,000,000 new shares at the subscription price of HK$0.106 per share.

The gross proceeds raised from the Subscription will be approximately HK$10,176,000. The net proceeds from the Subscription of approximately HK$10,100,000 are intended to be used for general corporate purposes including (i) as to 30% for the payment of trade and/or trade-related payable; and (ii) as to 70% for working capital.

(iii) The Group received demand letters from several financial institutions ("primary lenders") to demand repayment of bills payables and borrowings amounting to S$17,401,000. As at the date of authorisation of these financial statements, the Group is in negotiations with the primary lenders to defer the payments on an instalment basis.

(iv) The Group received a proposed winding up application of HIPL. Following the High Court hearing on 12 June 2020, management settled the claim with the plaintiff amounting to S$240,000.

(v) The Group received Writ of Summons from various creditors amounting to S$7,223,000 in which the legal proceedings are still ongoing as at the date of authorisation of these financial statements.

FOUR YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the published financial statements, is set out as below:

RESULTS	**Year ended 31 December 2019 S$'000**	Year ended 31 December 2018 S$'000	Year ended 31 December 2017 S$'000	Year ended 31 December 2016 S$'000
Revenue	**68,188**	94,410	100,841	54,942
(Loss) Profit before income tax	**(5,874)**	2,411	5,990	1,412
Income tax expenses	**184**	1,226	1,197	155
(Loss) Profit attributable to the owners of the Company for the year	**(5,690)**	1,185	5,044	1,243
Total comprehensive (expense) income attributable to the owners of the Company for the year	**(5,005)**	1,555	5,758	1,575
ASSETS AND LIABILITIES				
Total assets	**79,819**	78,079	65,569	53,647
Total liabilities	**63,781**	57,036	54,649	44,909
Net assets	**16,038**	21,043	10,920	8,738
Equity attributable to owners of the Company for the year	**16,038**	21,043	10,920	8,661