HPC HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1742

ANNUAL REPORT **2018**

Contents

Corporate Information

DIRECTORS BOARD AND OTHER COMMITTEES

Executive Directors
Mr. Wang Yingde *(Chairman & Chief Executive Officer)*
Mr. Shi Jianhua *(Chief Operations Officer)*

Independent non-executive Directors
Mr. Zhu Dong
Mr. Leung Wai Yip
Ms. Ng King Wai Diana
Mr. Ong Toon Lian

Audit Committee
Mr. Leung Wai Yip *(Chairman)*
Mr. Zhu Dong
Ms. Ng King Wai Diana

Remuneration Committee
Mr. Zhu Dong *(Chairman)*
Mr. Wang Yingde
Ms. Ng King Wai Diana

Nomination Committee
Mr. Wang Yingde *(Chairman)*
Mr. Zhu Dong
Ms. Ng King Wai Diana

WORKPLACE SAFETY AND HEALTH COMMITTEE
Mr. Ong Toon Lian *(Chairman)*
Mr. Shi Jianhua
Mr. Lim Boon Siew

JOINT COMPANY SECRETARIES
Mr. Ewe Tuck Foong
(CA Singapore and FCCA)

Ms. Leung Wing Han Sharon
(FCS, FCIS, FCCA and CPA)

AUTHORISED REPRESENTATIVES
Mr. Wang Yingde
Mr. Ewe Tuck Foong

LEGAL ADVISERS AS TO HONG KONG LAW
Luk & Partners
In Association with
Morgan, Lewis & Bockius

AUDITOR
PricewaterhouseCoopers

COMPLIANCE ADVISER
Alliance Capital Partners Limited

PRINCIPAL BANKS
United Overseas Bank Limited

DBS Bank Ltd.

CAYMAN ISLANDS SHARE REGISTER AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTER
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE
Block 165, Bukit Merah Central #08-3687
Singapore 150165

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
40th Floor, Sunlight Tower, No. 248 Queen's Road East
Wanchai, Hong Kong

COMPANY'S WEBSITE
www.hpc.sg

STOCK CODE:
1742

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors of HPC Holdings Limited (the "Company". stock code: 1742), I present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 October 2018 (the "Financial Year").

The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 11 May 2018 (the "Listing"). The successful Listing has reinforced the Group's financial position and promoted execution of the Group's business development strategy (as set out in the section headed "Business – Business Objectives and Strategies" of the prospectus dated 27 April 2018).

The Listing also enhanced the Group's image and influence in the Singapore local and overseas markets. While further strengthened our leading position in local warehousing construction, it also supported our acquisition of other diversity of construction projects, such as commercial and educational institutions.

Looking back in 2018, the market was still full of challenges. Although the Group's revenue has increased compared to last year, due to fierce competition in bidding prices and high construction costs, the gross profit of the local construction market has decreased.

Despite of this, the Group still adheres to the business philosophy of customer priority, quality priority and safety priority. The projects completed in the Financial Year have delivered satisfactory answers to the customers. Market reputation of the Group continues to grow, boosting the Group's future sustainability.

Looking forward to 2019, the Singapore construction market is expected to gradually pick up. Based on the Group's excellent and proven track records and current project contracts, I am optimistic and confident about this year's operating results. The Group will be able to achieve steady growth in 2019. While the Group is steadily expanding its local market share, in the new year, we will also try to embark overseas business and involve real estate development projects to diversify the Group's business to enhance its ability to withstand market risks.

I would like to take this opportunity to thank all our shareholders, Directors, executives, and all employees for their efforts and contributions in the past for the development of the Group. In the new year, we hope that we will continue working together to achieve new development for the Group, to fulfil dreams for our employees, and to generate a greater return for our shareholders.

Wang Yingde
Chairman of the Board & Chief Executive Officer

Singapore, 28 January 2019

Biographical Details

DIRECTORS

Mr. WANG Yingde (王應德), aged 56, executive Director, has over 25 years of experience in construction industry and is mainly responsible for strategic development of the Group and is one of the founders of the Group. Mr. Wang was the authorised representative of Shanghai Construction (Group) General Co., Singapore Branch ("SCG Singapore Branch"), a branch controlled and managed by Shanghai Construction (Group) General Company Overseas Business Department, from October 2002 to February 2018 and the deputy general manager for SCG Singapore Branch from June 2000 to June 2002 before being promoted to general manager from June 2002 to November 2012. Before joining SCG Singapore Branch, Mr. Wang served in Shanghai HuZhong Construction Engineering Corporation as the secretary of the party committee, the vice chairman of the board and the chairman of the board from March 1996 to June 2000 and in Shanghai Construction No. 5 (Group) Co., Ltd as the project manager and engineer from July 1989 to March 1996. Mr. Wang was awarded a bachelor degree in surveying from Tongji University in July 1989.

Mr. Shi Jianhua (施建華), aged 55, executive Director, has over 30 years of experience in construction industry and is mainly responsible for the daily business execution and management of the Group and is one of the founders of the Group. Mr. Shi was a site manager for SCG Singapore Branch from February 2001 to February 2003 before being promoted as a project director from March 2003 to November 2004. Before joining SCG Singapore Branch, Mr. Shi served in Shanghai Construction No. 5 (Group) Co., Ltd as an engineer from July 1983 to May 1991, as a subcontracting supervisor from June 1991 to February 1995, as a deputy project manager from February 1995 to December 1996 and as a project manager from January 1997 to February 2001. Mr. Shi graduated from Shanghai Construction Engineering School in October 1983.

Mr. Zhu Dong (朱東), aged 57, independent non-executive Director, has approximately 30 years of experience in financial markets. Mr. Zhu has been the consultant of Nomura International (Hong Kong) Limited since June 2016. Prior to that, Mr. Zhu was the managing director of Nomura International (Hong Kong) Limited from October 2011 to May 2016. Mr. Zhu has also worked at BNP Prime Peregrine Securities Limited from May 1998 to July 2011, at Beijing Peregrine Investment Consultant Company from May 1994 to May 1998, at Department of Foreign Funds Application and Audit of the Bureau of Audit from September 1986 to November 1992 and at Beijing Coal Mine Machinery Plant of the Ministry of Coal Industry from August 1982 to August 1986. Mr. Zhu graduated from Guangxi University with a bachelor degree in July 1982 and completed the master program of business administration in Tsinghua University in July 1996.

Mr. Leung Wai Yip (梁偉業), aged 42, independent non-executive Director, has more than 15 years of experience in audit and financial management. He has been the chief financial officer and company secretary of Chaowei Power Holdings Limited, a company listed on the SEHK since December 2010. Prior to that, Mr. Leung served as the financial controller and the company secretary of Tiangong International Company Limited, a company listed on the SEHK from May 2007 to November 2010. Mr. Leung was also acted consecutively as the auditor, senior auditor and manager in the assurance and advisory business services department of Ernst & Young, Certified Public Accountants from March 2000 to August 2005. Mr. Leung graduated with a degree of bachelor of commerce from the University of Alberta in June 1998 and obtained a degree of master of business administration from the Hong Kong University of Science and Technology in November 2010. He has been a member of the American Institute of Certified Public Accountants since December 2002 and an associate member of the Hong Kong Institute of Certified Public Accountants since May 2003.

Ms. Ng King Wai Diana (吳敬慧), aged 49, independent non-executive Director, has over 20 years of experience in financial markets. She was the founder and has been the managing director of Roseville Strategic Ltd. since August 2016. Prior to that, Ms. Ng served consecutively at Banque Nationale de Paris ("BNP") as an assistant manager from August 1996 to February 2004, as a senior relationship manager from March 2004 to March 2007, and as a senior banker from May 2007 to December 2013 and finally being promoted as the managing director from 2014 to June 2016. Before joining BNP, Ms. Ng was a trainee officer with the Bank of China. Ms. Ng was awarded a bachelor degree in social sciences by the University of Hong Kong in 1993.

Mr. Ong Toon Lian (翁敦廉), aged 52, independent non-executive Director, has over 20 years of working experience in both design and construction works. He has been the director of OTL Engineering and Safety Consultancy Pte. Ltd. since May 2015. Prior to that, Mr. Ong has worked at the Housing Development Board of Singapore consecutively from December 1991 to April 2015 where he was the project director is his last posting. Mr. Ong was awarded a bachelor degree in engineering (Civil) by University of Leeds in July 1991.

SENIOR MANAGEMENT

Mr. Ewe Tuck Foong (尤德豐), aged 46, chief financial officer of the Group and a joint company secretary of the Company. Mr. Ewe has over 15 years of experience in accounting and financial management. Before joining our Group, Mr. Ewe was the chief financial officer for Wee Hur Holdings Ltd, a company listed on the Singapore Stock Exchange from November 2011 to November 2015. Prior to that, Mr. Ewe served as the financial controller for Antalis Singapore Pte Ltd and ALSTOM Power Singapore Pte Ltd from October 2007 to July 2011 and from September 2004 to September 2007, respectively. Mr. Ewe was also a senior auditor in Deloitte Singapore from June 2001 to August 2004. Mr. Ewe currently is a member of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Lim Boon Siew (林文秀), aged 43, project director of the Group, has over 10 years of experience in construction industry and worked for various construction firms as construction engineer and project engineer. From December 2009 to March 2010 and from October 2012 to May 2013, Mr. Lim acted as the project manager for HPC Builders Pte. Ltd.. Prior to that, Mr. Lim served as project manager for Lian Beng Construction Pte Ltd from October 2014 to July 2015, as project manager for SCG Singapore Branch from April 2010 to September 2012, as site manager for Kajima Overseas Asia Pte Ltd from June 2008 to October 2009, as project engineer for Sim Lian Construction Co (Pte) Ltd from July 2005 to March 2008 and as construction engineer for Lum Chang Building Contractor from November 2002 to September 2004. Mr. Lim was awarded a bachelor degree in civil engineering from Swinburne University of Technology in October 2002.

Mr. Yong Chee Min (楊志明), aged 43, commercial director of the Group. Mr. Yong has approximately 20 years of experience in construction industry. Prior to that Mr. Yong served as contract manager for SCG Singapore Branch from April 2011 to March 2015, as contract administrator for Landlease Singapore Pte Ltd from November 2008 to November 2010, as assistant contract manager for JH Builders Pte Ltd from February 2008 to November 2008 and as contract manager for Isetech Sdn Bhd from January 2004 to January 2008. Mr. Yong was awarded a national higher diploma in quantity surveying from the Nottingham Trent University in June 1998 and also obtained a bachelor degree in construction management from Greenwich University in October 2000. Mr. Yong has been honoured as a technical member of Singapore Institute of Surveyors & Valuers and member of Australia Institute of Quantity Surveyors (AIQS) since February 2016 and November 2016, respectively.

Joint company secretaries

Mr. Ewe serves as one of the joint company secretaries of the Company. The Company has applied to the SEHK for, and the SEHK has granted to the Company, a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules as regards to the necessary qualifications of Mr. Ewe as one of our joint company secretaries. Please refer to "Biographical Details – Senior Management" of this annual report for details of his biography.

Ms. Leung Wing Han Sharon (梁穎嫻) was appointed as a joint company secretary of the Company on 25 January 2017. She is concurrently a vice president of SWCS Corporate Services Group (Hong Kong) Limited. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in general building and civil engineering construction works in Singapore. In Singapore, the Group provides construction works as main contractor as well as subcontractor for both the public and private sectors. The Group's main contractor works primarily relate to design and build projects for commercial and industrial buildings such as logistics and warehouses facilities, factories, offices, workshops and car parks whilst the Group's subcontractor works mainly relate to upgrading of government-built flats and construction of train stations, schools, factories and highways.

Amid the gloomy outlook on global economy, demand for construction of warehouses in Singapore remained weak and competitive. Contractors had also competed aggressively for dwindling construction demand by slashing down tender prices even when prices for construction material and labour cost are on a rising trend. The Ministry of Trade and Industry (the "MTI") of Singapore reported on 2 January 2019 that based on advance estimates, the construction sector had contracted by 2.2% on a year-on-year basis in the fourth quarter of 2018, extending the 2.5% decline in the third quarter of 2018. The contraction was primarily due to weakness in public sector construction activities.

Consequently, the Group's operations were greatly affected with declining profit margins and expected number of projects to be awarded to the Group being significantly lesser. Profit margins for general building construction segment almost halved from 19.2% for the financial year ended 31 October 2017 to 9.9% for the Financial Year whereas profit margins for civil engineering segment contracted from 34.5% for the financial year ended 31 October 2017 to 23.7% for the Financial Year. Civil engineering segment profit margin was lower mainly due to lesser costs savings achieved compared with previous year.

As a whole, the Group's profit margin has fallen from 19.8% for the financial year ended 31 October 2017 to 10.8% for the Financial Year.

FINANCIAL REVIEW

Demand for the local construction market remained subdue for the Financial Year. Due to diminishing demand for construction works, competitions for local construction works have become more intense with competitors competing for all types of construction work available. On profit attributable to owners of the Company, the Group reported a decline of 49.8% compared with the financial year ended 31 October 2017.

Revenue and Gross Profit

Although revenue for the Group had increased 13.7% as compared to the financial year ended 31 October 2017, cost of sales had increased 26.5% correspondingly, resulting in a 38.0% decline in gross profit. The Group incurred higher cost of sales mainly due to the relatively higher number of smaller size projects undertaken by the Group during the Financial Year.

Revenue for the Group for the Financial Year climbed to approximately S$228,630,000 from approximately S$201,075,000 for the financial year ended 31 October 2017 while Gross Profit fell from approximately S$39,798,000 for the financial year ended 31 October 2017 to approximately S$24,658,000 for the Financial Year.

Other Income and Other Gains/(Losses), net

Lower sales of scrap materials and government grant received for the Financial Year contributed to the decline in other income compared with the financial year ended 31 October 2017.

For other gains/(losses) net, the Group recorded a gain of approximately S$462,000 mainly due to the foreign currency revaluation gain following the receipt of Listing proceeds in Hong Kong dollars.

Administrative Expenses

Administrative expenses for the Financial Year is higher than the financial year ended 31 October 2017 by approximately 22.9% mainly as a result from more recruitment of employees following higher number of smaller size projects undertaken by the Group coupled with the yearly increment allocated for existing employees. In addition, an allowance of doubtful debts of S$600,000 has been made in respect of certain outstanding trade receivables that are facing collectivity issues.

Income Tax Expense

Income tax expense declined more than half of financial year ended 31 October 2017 mainly attributed to lower profit recorded.

Profit Attributable to Owners of the Company

As a result of the lower gross profit, profit attributable to the owners of the Company declined by 49.8% from approximately S$27,324,000 for the financial year ended 31 October 2017 to approximately S$13,715,000 for the Financial Year.

Dividends

The Board does not recommend final dividend to be distributed for the Financial Year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Liquidity

The Group's business operations depend on the sufficiency of working capital and effective cost management, in particular, competitive prices from subcontractors and suppliers as well as effective management of foreign workforce. The Group's primary usage of cash relates to payment to subcontractors, suppliers and on manpower needs. The Group has been depending on its internally generated fund to support its working capital needs. With proven track record in costs management coupled with the local regulation on construction works settlements, the Group does not expect any liquidity issues.

Current ratios (defined as total current assets divided by total current liabilities) of the Group are 2.2 and 1.8 as at 31 October 2018 and 31 October 2017, respectively.

Borrowings and Gearing

The Group's borrowings relate to certain finance lease obligations obtained through the acquisition of motor vehicles.

Gearing ratios (defined as total borrowings divided by total equity) of the Group are 0.1% and 0.2% as at 31 October 2018 and 31 October 2017, respectively, and is not expected to be material in the foreseeable future.

Foreign Exchange Exposure

Most of the Group's income and expenditures are denominated in Singapore dollars, being the functional currency of the Group, and hence, the Group does not have any material foreign exchange exposures other than the net proceeds received from the Listing exercise on 11 May 2018.

As the Group's foreign exchange exposure from its operations is minimal, the Group does not use any hedging facilities. All foreign transactions are entered into at spot rate.

Charges on Group's Assets

As at 31 October 2018, none of the Group's assets were charged with any parties or financial institutions other than the motor vehicles owned by the Group of which were acquired via finance leases.

Contingent Liabilities and Financial Guarantees

As at 31 October 2018, the Group was involved in a few litigation cases related to workplace injuries and disputes with suppliers in the past. However, the Group did not expect material contingent liabilities to arise from these litigations.

For the Financial Year, the Group was not involved in any major litigation cases.

As at 31 October 2018, there is no financial guarantee granted in favour of third parties of the Group.

Capital Expenditure and Capital Commitments

For the Financial Year, the Group incurred capital expenditures of approximately S$0.8 million.

Following the acquisition of a controlling interest in Regal Haus Pte. Ltd. ("Regal Haus") in July 2018, the Group is in the midst of finalising the acquisition of a property to be re-developed into a commercial building, with part of it to be used as the Group's office building. The total budget for the re-development project, including the cost of acquisition of property and other re-development costs, is currently expected to amount to approximately S$21 million. For details of the acquisition of the controlling interest in Regal Haus, please refer to the section "Directors' Report – Connected and Related Party Transactions" of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group acquired a 51% interest in Regal Haus for a total consideration of S$510,000 in July 2018 with an intention to re-develop a property to be acquired by it into a commercial building, with part of which to be used as the Group's office. Except for the acquisition of Regal Haus, the Group had no other material acquisition or disposals of subsidiaries, associates and joint ventures during the Financial Year. For details of the acquisition of the controlling interest in Regal Haus, please refer to the section "Directors' Report – Connected and Related Party Transactions" of this annual report.

SIGNIFICANT INVESTMENTS HELD

As at 31 October 2018, the Group did not hold any significant investment.

EMPLOYEE INFORMATION

As at 31 October 2018, the Group had 929 employees including foreign workers.

The employees of the Group are remunerated according to their job scope and responsibilities. The local employees are also entitled to discretionary bonus depending on their respective performance. The foreign workers are typically employed on one year basis depending on the period of their work permits and subject to renewal based on their performance and are remunerated according to their work skills.

Total staff costs including Directors' emoluments for the Financial Year amounted to approximately S$27.5 million (2017: approximately S$23.2 million).

There was no arrangement under which a director waived or agreed to waive any remuneration during the Financial Year.

Employees of the Group receive training depending on their respective duties and the department they belong to. The human resource department of the Company arrange for employees to attend trainings from time to time, especially relating to workplace health and safety.

PROSPECTS

MTI of Singapore reported on 2 January 2019 that based on advance estimates, the Singapore economy grew by 2.2% on a year-on-year basis in the fourth quarter of 2018, easing slightly from the 2.3% growth in the third quarter of 2018. On a quarter-on-quarter seasonally-adjusted annualised basis, the Singapore economy expanded at a slower pace of 1.6% in the fourth quarter of 2018 compared to the 3.5% growth in the third quarter of 2018. For 2018 as a whole, the Singapore economy grew by 3.3%.

Notwithstanding the above, the construction sector contracted by 2.2% on a year-on-year basis in the fourth quarter of 2018, extending the declining trend as recorded in the third quarter of 2018 of 2.5%. The contraction was primarily due to weakness in public sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew at a weaker pace of 1.1% compared to the 3.3% growth in the third quarter of 2018.

Although the government reported that construction demand in Singapore has improved compared with the last three years, the improvement is mainly due to increase in demand for construction of infrastructures and institutionals such as healthcare and educational works. Public construction demand contributed approximately 60.0% or approximately S$18.4 billion of the projected demand for 2018 with mainly civil engineering projects, whilst private sector demand was at approximately S$12.1 billion, supported by redevelopment of collective-sale sites. The government has brought forward approximately S$1.4 billion in public projects to start between 2017 and early 2018 in order to ride out the downturn.

Going forward, the Group expects the Singapore construction market to remain volatile, especially given that Singapore's economy is fairly exposed to the health of global economy. With the impending trade wars coupled with uncertainties in certain major economies around the world, the potential risks for the coming year cannot be taken lightly. The Group will persist in increasing its participation in new project tenders in different sectors to include corporate offices, institutional buildings and civil engineering works in order to secure more projects and to remain competitive and actively involved in the local construction market. The Group will explore the opportunity of expanding its geographical presence into regional markets in the coming year. Our tender and contract departments have been strengthened by recruiting more experienced staff to allow for such expansion to ensure our tender prices are prudently competitive and operations are profitable. Barring unexpected circumstances, the Group is confident to sail through the challenging 2019 market and remains profitable.

As a sign of our initial success, since the end of the Financial Year and up to the date of this annual report, the Group managed to clinch 4 new projects with total contract sum of approximately S$166.4 million.

Corporate Governance Report

The Company is committed to fulfilling its responsibilities to its shareholders (the "Shareholders") of the Company and protecting and enhancing Shareholders' value through good corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

As the Shares of the Company were initially listed on the SEHK on the 11 May 2018 (the "Listing Date"), the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was not applicable to the Company for the period from 1 November 2017 to 10 May 2018, being the date immediately before the Listing Date. The Company has adopted and has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to 31 October 2018 (the "Period") with the exception of code provision A.2.1 under the paragraph headed "Chairman and Chief Executive Officer" below.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code during the Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Period, none of the Directors or the controlling shareholders of the Company nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

In particular, each of Tower Point Global Limited ("Tower Point") and Creative Value Investments Limited ("Creative Value"), Mr. Wang Yingde, Mr. Shi Jianhua has confirmed to the Company of his or its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 19 April 2018 (the "Deed of Non-competition"). The independent non-executive Directors (the "INEDs") have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition had been complied with by the above-mentioned parties and duly enforced since the Listing Date and up to 31 October 2018.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "Articles of Association"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time. The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

COMPOSITION

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgement. As at the date of this annual report, the Board comprises the following six Directors, of which the INEDs in aggregate represent 66.7% of the Board members:

Executive Directors

Mr. Wang Yingde *(Chairman & Chief Executive Officer)*
Mr. Shi Jianhua *(Chief Operations Officer)*

INEDs

Mr. Zhu Dong
Mr. Leung Wai Yip
Ms. Ng King Wai Diana
Mr. Ong Toon Lian

The biographical details of each of the Directors are set out in the section headed "Biographical Details" of this annual report. The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company. Throughout the Period, the Company had four INEDs, representing 66.7% of the Board members, which has exceeded the requirement of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and met the requirement that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules from the Listing Date up to the date of this annual report.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statue and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies. The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Financial Year is summarised as follows:

Name of Directors	Type of trainings
Mr. Wang Yingde	B
Mr. Shi Jianhua	B
Mr. Zhu Dong	B
Mr. Leung Wai Yip	A, B
Ms. Ng King Wai Diana	A, B
Mr. Ong Toon Lian	A, B

Type of trainings

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

MEETINGS OF THE BOARD AND DIRECTORS' ATTENDANCE RECORDS

The Board targets to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 7 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the regular Board meeting, or such other period as agreed for other Board meetings. The company secretary (the "Company Secretary") of the Company is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The Board held three meetings during the Financial Year and, amongst other matters, considered and approved the listing exercise held on 19 April 2018, the unaudited consolidated financial information of the Group for the six months ended 30 April 2018 and an update review of unaudited consolidated financial information for ten months ended 31 August 2018. The Board held a meeting on 28 January 2019 and, amongst other matters, considered and approved for presentation to the Board for consideration and approval the draft audited consolidated financial statements of the Group for the Financial Year.

The attendance of each Director at the Board meetings during the Financial Year and up to the date of this annual report of which include the meeting held on 28 January 2019 is as follows:

Name of Directors	No. of Attendance/No. of Meetings
Mr. Wang Yingde	4/4
Mr. Shi Jianhua	4/4
Mr. Zhu Dong	4/4
Mr. Leung Wai Yip	4/4
Ms. Ng King Wai Diana	4/4
Mr. Ong Toon Lian	4/4

BOARD DIVERSITY POLICY

During the Period, the Board has adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same. The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge.

The nomination committee of the Company (the "Nomination Committee") shall first discuss the nomination of candidates for new Directors, examine the qualification of these candidates, and then recommend such candidates to the Board. The Board shall determine whether the appointment of such candidates should be proposed for election at the general meetings. The major criteria considered by the Nomination Committee and the Board are the candidates' educational backgrounds, experience in the industry, their proposed commitment to the Company and achieving the goal of diversity of the Board. Regarding the nomination of independent non-executive Directors, the Nomination Committee will also particularly consider the independence of such candidates. To achieve diversity of the Board, during the Financial Year, the Board has strictly adhered to the diversity policy on members of the Board of Directors, according to which, selection of the members of the Board are required to be conducted on the basis of a range of diversity perspectives by taking into account the consolidated factors including skills, experience, independence, knowledge on the business of the Company, the composition of various factors (including gender and age) and other factors relating to the operation efficiency of the Board. The Nomination Committee is responsible for supervising the implementation of such policy.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company had complied with the code provisions in the CG Code as set forth in Appendix 14 of the Listing Rules throughout the Period except for the code provisions on A.2.1.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive shall be separated and shall not be performed by the same individual. Mr. Wang Yingde currently holds both positions. Throughout the business history, Mr. Wang Yingde has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including independent non-executive Directors) consider that Mr. Wang Yingde is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the shareholders as a whole.

BOARD COMMITTEES

The Board has established the workplace safety and health committee of the Group (the "WSH Committee") and three Board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

AUDIT COMMITTEE

The Audit Committee was established on 19 April 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the SEHK and the Company. It comprises three INEDs, namely Mr. Leung Wai Yip, Mr. Zhu Dong and Ms. Ng King Wai Diana. Mr. Leung Wai Yip is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and handling any questions regarding its resignation or dismissal;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditors on the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on engaging external auditors to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- monitoring the integrity of the Company's financial statements and annual report and accounts, and half year report, as well as reviewing significant financial reporting judgements contained in them;
- reviewing the Company's financial controls, and risk management and internal control systems;
- discussing the risk management and internal control systems with the management to ensure that the management has performed its duty to have such effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditors' management letters; and
- considering other topics as defined by the Board.

During the Financial Year, two Audit Committee meetings were held and, amongst other matters, considered and approved (i) for presentation to the Board for consideration and approval the draft unaudited consolidated financial information of the Group for the six months ended 30 April 2018 and ten months ended 31 August 2018 and (ii) audit-related matters. The Audit Committee held a meeting on 28 January 2019 and, amongst other matters, considered and approved for presentation to the Board for consideration and approval the draft audited consolidated financial statements of the Group for the Financial Year.

The attendance of each INED at the Audit Committee meetings during the Financial Year and up to the date of this annual report of which include the meeting held on 28 January 2019 is as follows:

Name of Directors	No. of Attendance/No. of Meetings
Mr. Leung Wai Yip	3/3
Mr. Zhu Dong	3/3
Ms. Ng King Wai Diana	3/3

REMUNERATION COMMITTEE

The Remuneration Committee was established on 19 April 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the SEHK and the Company.

The Remuneration Committee comprises two INEDs, Mr. Zhu Dong and Ms. Ng King Wai Diana and an executive Director, Mr. Wang Yingde. Mr. Zhu Dong is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;

- reviewing and approving the management's remuneration proposals by reference to the Board's corporate goals and objectives;

- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- considering the salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group;

- reviewing and approving the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;

- reviewing and approving the compensation arrangements relating to the dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and

- ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

During the Financial Year, no Remuneration Committee meeting was held as the Company was listed on 11 May 2018. The Remuneration Committee held a meeting on 28 January 2019, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management.

The attendance of each Director at the Remuneration Committee meeting during the Financial Year and up to the date of this annual report of which include the meeting held on 28 January 2019 is as follows:

Name of Directors	No. of Attendance/No. of Meeting
Mr. Zhu Dong	1/1
Mr. Wang Yingde	1/1
Ms. Ng King Wai Diana	1/1

NOMINATION COMMITTEE

The Nomination Committee was established on 19 April 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the SEHK and the Company.

During the Financial Year, prior to the Listing exercise, the Company embarked on a rigorous process to search for suitable candidates for the Company's independent non-executive directors. The candidates to be selected need to fulfil the Listing Rules requirements including but not limited to board diversity, professionalism, independence and right qualifications in order to be able to provide meaningful professional advice and guidance to the Company. Selected candidates were then being scrutinised in detail on their personal backgrounds before being recommended as independent non-executive directors. Once the candidates were selected, they were offered a service contract and they were required to sign independent confirmation.

It comprises two INEDs, namely Ms. Ng King Wai Diana and Mr. Zhu Dong and an executive Director, Mr. Wang Yingde, Mr. Wang Yingde is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

- to assess the independence of the INEDs;

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate; and

- to develop a policy concerning diversity of Board members; to make disclosure of a summary of the policy on board diversity, including any measurable objective that it has set for implementing the policy, and progress on achieving those objectives, and disclose in the Corporate Governance Report annually.

During the Financial Year, no Nomination Committee meeting was held as the Company was listed on 11 May 2018. The Nomination Committee held a meeting on 28 January 2019 and among other things, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming annual general meeting of the Company ("AGM").

The attendance of each Director at the Nomination Committee meeting during the Financial Year and up to the date of this annual report of which include the meeting held on 28 January 2019 is as follows:

Name of Directors	No. of Attendance/No. of Meeting
Mr. Wang Yingde	1/1
Mr. Zhu Dong	1/1
Ms. Ng King Wai Diana	1/1

WSH COMMITTEE

The WSH Committee was established on 19 April 2018 with written terms of reference. The written terms of reference of the WSH Committee are published on the website of the Company.

The WSH Committee comprises one INED, Mr. Ong Toon Lian, an executive Director, Mr. Shi Jianhua and a project director, Mr. Lim Boon Siew. Mr. Ong Toon Lian is the chairman of the WSH Committee.

The principal roles and functions of the WSH Committee include but are not limited to:

- to identify situations that may be unhealthy or unsafe for workers and to make recommendations to the Board on effective systems for responding to those situations;
- to assess, review, monitor and make recommendations to the Board on;
    i. the development of employee training programs on workplace safety;
    ii. the Company's workplace safety measures and policies relative to other companies in the same industry;
    iii. industry developments in workplace safety practices, including any change in laws and regulations; and
    iv. the Company's ability to handle workplace safety incidents.
- to review and recommend, as appropriate, changes to workplace safety and health policies of the Company;
- to monitor the status of compliance with the Company policies and applicable laws and regulations in the area of workplace safety and health; and
- in the event of the occurrence of a workplace safety incident, review reports from the management detailing the nature of the incident and the remedial actions taken and recommend measure to minimise future occurrence of similar incidents.

During the Financial Year, two WSH Committee meetings were held and, amongst other matters, considered and approved (i) monthly corporate safety meetings; and (ii) monthly safety report.

The attendance of each directors and senior management at the WSH Committee meeting during the Financial Year and up to the date of this annual report is as follows:

Name of Directors and Senior Management	No. of Attendance/No. of Meetings
Mr. Ong Toon Lian	2/2
Mr. Shi Jianhua	2/2
Mr. Lim Boon Siew	2/2

CORPORATE GOVERNANCE FUNCTIONS

Corporate governance policies were established and adopted on 19 April 2018 and disclosed in the prospectus dated 27 April 2018.

The Board recognises that corporate governance should be the collective responsibility of the Directors, which includes but is not limited to:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this annual report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a term of 3 years commencing on the Listing Date. Mr. Zhu Dong has entered into a letter of appointment on 25 January 2017 with our Company for an initial term of three years commencing from such date ("Original Contract"). Subsequently, he has entered into another letter of appointment on 19 April 2018 with our Company for an initial term of three years commencing on the Listing Date. The Original Contract was superseded in full from the Listing Date. Each of our other three INEDs has entered into a letter of appointment with the Company for a period of 3 years commencing on the Listing Date. Any Director appointed by the Board to fill a causal vacancy shall hold office until the first general meeting of the Company after his/her 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 AGM and shall then be eligible for re-election. All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and does not offer himself for re-election. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The chairman and independent non-executive directors have held a meeting on 28 January 2019.

Other than the chairman who is also the chief executive officer as disclosed under section "Corporate Governance Report – Chairman and Chief Executive Officer" of this annual report, there is no other relationship among the Directors.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration and the 5 highest paid employees for the Financial Year are set out in Note 9 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details – Senior Management" in this annual report for the Financial Year by band is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000 (S$179,333)	–
HK$1,000,001 (S$179,333) to HK$2,000,000 (S$358,667)	2
HK$2,000,001 (S$358,667) and above	1

INDEPENDENT AUDITOR'S REMUNERATION

For the Financial Year, PricewaterhouseCoopers was engaged as the Group's independent auditor. The remuneration paid/payable to PricewaterhouseCoopers for the Financial Year is set out below:

Services Fee paid/payable	HK$
Audit services	1,300,000
Non-audit services (Note)	103,000
Total	1,403,000

Note: Non-audit services represented the agreed upon procedures performed by PricewaterhouseCoopers LLP, Singapore.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the Financial Year. The Directors were 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. In addition, PricewaterhouseCoopers has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the Financial Year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. 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. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.

2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The Group has maintained internal control guidance and procedures on the Group's operational cycles relating to revenue, subcontract, purchase and expenditure and human resources etc., to ensure proper accounting records and kept so that reliable financial reporting can be provided, the effectiveness and efficiency of operation can be achieved, and the compliance with applicable laws and regulations and safeguarding of assets can be maintained. These systems are designed to provide reasonable protection against errors, losses and fraud. The Company does not establish a standalone internal audit department, however, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group.

The Company has engaged Alfred PF Shee & Co to conduct a review on the effectiveness of the internal controls of the Group for the Financial Year. The review covered certain operational procedures and included recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified. The Board has conducted a review of the effectiveness of the internal control system of the Group and is satisfied that the Group has complied with the Code in respect of risk management and internal control systems from the date of Listing up to the date of this annual report.

Regular meetings were held between the executive Directors and senior management to review and monitor the business and financial performance against the targets, the progress of certification and contract receipts from the customers, the efficiency in the use of the Group's resources in comparison to the budgets, and the operational matters to ensure the Group has complied with the regulations that have material impact to the Group's business. The aim is to enhance the communication and accountability of the Directors and management so that significant strategic, financial, operational and compliance risks or potential deviations are timely identified and dealt with in proper manner, which significant issues are reported back to the Board for their attention.

With respect to the monitoring and disclosure of inside information, the Group has developed its disclosure policy which provides a general guide to the Group's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquires. While any potential inside information will be escalated to the executive meetings or the Board via the established reporting channels, the Directors will assess and determine if the inside information of the Group exist where timely disclosure is required to be made by way of an announcement published on the SEHK website. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision.

The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Company Secretary and the head of investor relations of the Company are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

Since 25 January 2017, the Company appointed two joint company secretaries, namely Mr. Ewe (the chief financial officer of the Group) and Ms. Leung. The Company has applied to the SEHK and was granted a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules as regards to the necessary qualifications of Mr. Ewe as one of the joint company secretaries. Mr. Ewe has a sound understanding of the operations of the Board and the Group. Ms. Leung is concurrently a vice president of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Leung's primary contact person is Mr. Ewe. During the Financial Year, both Mr. Ewe and Ms. Leung have received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules. Mr. Ewe reports to the chairman of the Company. All members of the Board can have access to the joint company secretaries' advice and services. The appointment and removal of the joint company secretaries will be subject to Board's approval.

SHAREHOLDERS' RIGHTS

Procedures for putting forward proposals at shareholders' meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the annual general meetings (the "AGMs") under the memorandum of association of the Company and the Articles of Association (the "M&A") or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") in accordance with the "Procedures for shareholders to convene an EGM" set out below.

Procedures for shareholders to convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to require an EGM to be called by the Board or the joint company secretaries for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM. Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong (40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong) for the attention of the joint company secretaries. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda. The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the joint company secretaries will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM. If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong, by post for the attention of the joint company secretaries. Upon receipt of the enquiries, the joint company secretaries will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;

2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

COMMUNICATION WITH THE SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the SEHK.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of new M&A by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 19 April 2018 and with effect from the Listing Date, there was no change in the constitutional documents of the Company during the Financial Year. The M&A is available on the respective websites of the SEHK and the Company.

DIVIDEND POLICY

The Company intends to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the shareholders of the Company. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- the Company's operating results, actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- any other factors that the Board may deem appropriate and relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rule and regulations and the Articles of Association of the Company.

Any declaration and payment of future dividend under the dividend policy are subject to the Board's determination that the same would be in best interests of the Group and the Shareholders as a whole. The Board will review the dividend policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

EVENTS AFTER THE REPORTING PERIOD

On 13 December 2018, approval was obtained from JTC Corporation in respect of the purchase of a property located at 7 and 9 Kung Chong Road, Singapore 159144 at a consideration of S$13,500,000.

Directors' Report

The Directors present the annual report and the audited consolidated financial statements of the Company for the Financial Year.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 13 October 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to the Group reorganisation as set out in the section headed "History, Reorganisation and Corporate Structure" in the Company's prospectus dated 27 April 2018 which was completed on 27 October 2016 (the "Reorganisation"), the Company became the holding company of its subsidiaries now comprising the Group.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries now comprising the Group are principally engaged in civil engineering and general building construction including major upgrading works in Singapore.

There were no significant changes to the Group's principal activities during the Financial Year.

RESULTS/BUSINESS REVIEW

The results of the Group for the Financial Year are set out in the section headed "Consolidated Statement of Comprehensive Income" on page 42 in this annual report. The business review of the Group for the Financial Year is set out in the section headed "Management Discussion and Analysis" on pages 7 to 10 in this annual report.

DIVIDENDS

The Board does not recommend the payment of final dividend for the Financial Year.

There is no arrangement that a shareholder has waived or agreed to waive any dividend.

SHARE CAPITAL

Details of movements in the share capital of the Company during the financial year are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

The Company did not enter into any equity-linked agreement during the Financial Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Since the securities of the Company were listed on the SEHK, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

There is no change of auditors of the Company since its incorporation on 13 October 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis" of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 October 2018 were as follows:

	Share premium S$'000	Accumulated losses S$'000
2018	**69,777**	**(3,370)**
2017	45,721	(106)

RESERVES AND DISTRIBUTABLE RESERVES

The Company did not have distributable reserves as at 31 October 2018, calculated under the Companies Law, Cap 22 (Law 3 of 2961, as consolidated and revised) of the Cayman Islands, as it has accumulated losses.

However, the Company's share premium amount may be distributed as dividends provided that immediately following the date of which the dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group follows the principal to behave ethically and responsibly in daily operation to fulfill its environmental and social responsibilities. We have an Integrated Management System (the "IMS") which comprise of (i) ISO 9001 (Quality Management System); (ii) OHSAS 18001 (Occupational Health & Safety Management System); (iii) ISO 14001 (Environmental Management System); (iv) Bizsafe Level Star Certificate; and (v) Green and Gracious Builder Scheme (the "GGBS") mandated by Singapore Building & Construction Authority for the provision of integrated building services works to promote environment protection and gracious practices during the construction phase of projects and to govern environmental, social and governance related aspect of our operations. The Group had taken steps in our GGBS programs to reduce pollution to the environment.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements and have compliance procedures in place to ensure adherence to applicable laws, rules and regulations in particular, those that have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. The Group's operation are carried out in Singapore while the Company itself was incorporated in Cayman Islands and listed on Main Board of the SEHK. Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, Cayman Islands and Singapore.

During the Financial Year and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

RELATIONSHIP WITH EMPLOYEES, CLIENTS AND SUBCONTRACTORS

The Group treats every member of our employee as part of our big family, whether it is managerial, executive or rank-and-file employee positions and is committed to providing reasonable remunerations to all staff. To induce a sense of belonging in the Company, various team bonding events were organised annually for staff to interact with each other out of the workplace. The Group maintains a good relationship with its clients by having a client feedback channel with the aim of improving service quality. The Group is in good relationship with its subcontractors and suppliers and conducts a fair and strict appraisal of its subcontractors and suppliers.

MAJOR CLIENTS, SUBCONTRACTORS AND SUPPLIERS

Major clients of the Group comprise mainly logistic and supply chain operators, main contractors of building projects and government agencies in Singapore. All projects undertaken are mainly based on project-by-project basis and are typically non-recurring.

Revenue from the five largest clients for the Group for the financial years ended 31 October 2018 and 31 October 2017 amounted to approximately S$167.9 million and S$152.1 million, respectively of which represents approximately 73.4% and 75.6% of total revenue. Revenue from the largest client for the same periods amounted to approximately S$44.8 million and S$48.9 million, respectively of which represents approximately 19.6% and 24.3% of total revenue.

Major costs of work done mainly refer to subcontractors' costs and purchases from suppliers. The Group typically engage subcontractors for more specialised services such as mechanical and engineering works, air conditioning and mechanical ventilation works, steel works and any other specialist works. Purchases are mainly from suppliers in Singapore for steel products and ready-mix concrete.

Subcontractors' costs from the five largest subcontractors for the Group for the financial years ended 31 October 2018 and 31 October 2017 amounted to approximately S$31.3 million and S$26.4 million, respectively of which represents approximately 15.4% and 16.3% of total costs of work done. Subcontractors' costs from the largest subcontractor for the same periods amounted to approximately S$7.8 million and S$9.8 million, respectively of which represents approximately 3.8% and 6.1% of total costs of work done.

Purchases from the five largest suppliers for the Group for the financial years ended 31 October 2018 and 31 October 2017 amounted to approximately S$33.9 million and S$18.0 million, respectively of which represents approximately 16.6% and 11.2% of total costs of work done. Purchases from the largest supplier for the same periods amounted to approximately S$16.3 million and S$7.4 million, respectively of which represents approximately 8.0% and 4.6% of total costs of work done.

The Directors, their close associates or any other shareholder (which to the knowledge of the Directors own more than 5% of the number of shares of the Company) have no interest in the clients, subcontractors and suppliers as disclosed above.

DIRECTORS

The Directors of the Company during the Financial Year and up to the date of this annual report were:

Executive Directors:

- Mr. Wang Yingde *(Chairman & Chief Executive Officer)*
- Ms. Shi Jianhua *(Chief Operations Officer)*

INEDs:

- Mr. Zhu Dong
- Mr. Leung Wai Yip
- Ms. Ng King Wai Diana
- Mr. Ong Toon Lian

In accordance with article 84 (1) of the Company's Article of Association, one-third of the Directors of the Company, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting (the "AGM"), provided that every Director shall retire at least once every three years. Accordingly, Mr. Wang Yingde and Mr. Shi JIanhua shall retire at the forthcoming AGM and being eligible, will offer themselves for re-election.

Biographical information of the directors of the Company and the senior management of the Group are set out on pages 4 to 6 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wang Yingde and Mr. Shi Jianhua, being the executive Directors, has entered into a service contract with the Company for a term of 3 years commencing on the Listing Date, which will continue thereafter unless terminated by either party giving to the other not less than three months' notice in writing. Mr. Zhu Dong has entered into a letter of appointment on 25 January 2017 with our Company for an initial term of three years commencing from such date. Subsequently, he has entered into another letter of appointment on 19 April 2018 with our Company for an initial term of three years commencing on the Listing Date, which will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. The Original Contract was superseded in full from the Listing Date. Each of our other three independent non-executive Directors, namely, Mr. Leung Wai Yip, Ms. Ng King Wai Diana and Mr. Ong Toon Lian has entered into a letter of appointment with our Company on 19 April 2018 which will continue thereafter an initial term of 3 years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party to the other. No Director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Alliance Capital Partners Limited (the "Compliance Adviser"), as at 31 October 2018, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 19 April 2018, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association and subject to the applicable laws and regulations, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices. Such permitted indemnity provision has been in force since the Listing Date up to 31 October 2018.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As the Listing was not completed as at 30 April 2018, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and Section 352 of the SFO were not applicable to the Directors and chief executives of the Company as at 30 April 2018.

As at 31 October 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which would have to be notified to the Company and the SEHK under 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 would be required pursuant to section 352 of the SFO or to be entered in the register as referred to therein, or otherwise required to be notified to the Company and the SEHK pursuant to Model Code, are as follows:

Interests in the Company

Name of Director	Capacity/nature of interest	Number of Shares held	Long position/short position	Approximately percentage of shares in issue (Note (iii))
Mr. Wang Yingde	Interest in controlled corporation (Note (i))	660,000,000	Long position	41.25%
Mr. Shi Jianhua	Interest in controlled corporation (Note (ii))	540,000,000	Long position	33.75%

Notes:

(i) The 660,000,000 Shares are held by Tower Point, which is wholly and beneficially owned by Mr. Wang Yingde. By virtue of the SFO, Mr. Wang Yingde is deemed to be interested in all the Shares held by Tower Point.

(ii) The 540,000,000 Shares are held by Creative Value, which is wholly and beneficially owned by Mr. Shi Jianhua. By virtue of the SFO, Mr. Shi Jianhua is deemed to be interested in all the Shares held by Creative Value.

(iii) Based on a total of 1,600,000,000 shares of the Company as at 31 October 2018.

Save as disclosed above, as at 31 October 2018, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the SEHK.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As the Listing was not completed as at 30 April 2018, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to any substantial Shareholders of the Company as at 30 April 2018.

As at 31 October 2018, so far as is known to any Director or chief executive of the Company, the persons (other than Director or chief executive of the Company) or corporations who had interest or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Interests in the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held	Long position/ short position	Approximately percentage of shares in issue (Note (iii))
Tower Point	Beneficial owner (Note (i))	660,000,000	Long position	41.25%
Creative Value	Beneficial owner (Note (ii))	540,000,000	Long position	33.75%

Notes:

(i) The 660,000,000 Shares are held by Tower Point, which is wholly and beneficially owned by Mr. Wang Yingde, the executive Director of the Company.

(ii) The 540,000,000 Shares are held by Creative Value, which is wholly and beneficially owned by Mr. Shi Jianhua, the executive Director of the Company.

(iii) Based on a total of 1,600,000,000 shares of the Company as at 31 October 2018.

Save as disclosed above, as at 31 October 2018, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTIONS SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 19 April 2018 for the purpose of providing the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as of the Listing Date, being 160,000,000 shares.

No option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12 month period exceeds 1% of the Company's shares in issue from time to time. Where any further grant of options to such an eligible person would result in the shares issued and to be issued upon exercise of the options granted and to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares, such grant shall be separately approved by the shareholders of the Company in general meeting with such eligible person and his/her close associates (or his/her close associates if such eligible person is a connected person) abstaining from voting.

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the adoption date to offer the grant of an option to any eligible person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of shares as the Board may determine.

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time period before the right to exercise the option in respect of all or any of the shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such term and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which needs to be achieved by the grantee of the option can be exercised.

An offer of the grant of an option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme.

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

- the nominal value of a share;
- the closing price of a share as stated in the SEHK's daily quotation sheet on the offer date; and
- the average closing price of a share as stated in the SEHK's daily quotation sheets for the 5 business days immediately preceding the offer date.

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, after which no further options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

No share options were granted, exercised, cancelled, lapsed or outstanding for the Financial Year.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 160,000,000 shares, which represent approximately 10% of the Company's issued share capital, and the remaining life of the Share Option Scheme was about 9 years and 2 months.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time since the Company's securities were listed at the SEHK.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Financial Year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the SEHK. The Company considers all of the INEDs are independent.

CONNECTED AND RELATED PARTY TRANSACTIONS

On 12 July 2018, HPC Builders Pte. Ltd. ("HPC Builders"), an indirectly wholly-owned subsidiary of the Company, Mr. Wang Yingde ("Mr. Wang") and Mr. Shi Jianhua ("Mr. Shi"), both executive Directors and controlling shareholders of the Company, entered into an agreement pursuant to which HPC Builders agreed to acquire from Mr. Wang and Mr. Shi, an aggregate of 51.00% interest in Regal Haus for a total consideration of S$510,000.

Regal Haus is a Singapore incorporated private limited company, and has received an offer from an independent third party to purchase a property for a consideration of S$13,500,000. It is intended that after acquisition of the property, Regal Haus will re-develop the property into a commercial building of which part of the commercial building will be used as the Company's office and the rest will be leased out.

The interests, liabilities, obligations, costs and expenses of the Project will be shared between HPC Builders, Mr. Wang and Mr. Shi in the proportions of 51.00%, 26.95% and 22.05%, respectively and each party shall be entitled to profits or liable for losses accruing from the execution and performance of the project in the above proportions.

Related party transactions entered into by the Group during the Financial Year, are disclosed in note 29 to the consolidated financial statements. Upon Listing, certain related party transactions set out in note 29 to the consolidated financial statements are regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of such transactions are set out in the section headed "Connected Transactions" in the prospectus of the Company dated 27 April 2018 (the "Prospectus"). As disclosed in the Prospectus, such transactions constitute de minimis continuing connected transactions as from the Listing Date and are fully exempt from the connected transaction requirements of Chapter 14A of the Listing Rules.

Save as disclosed above, the Group had not entered into any connected transaction during the Financial Year, which is required to be disclosed under Chapter 14A of the Listing Rules.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. The Company has adopted a Share Option Scheme as an incentive to directors and eligible employees. The Share Option Scheme became effective on 19 April 2018.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Directors are satisfied that the Company has maintained the prescribed minimum public float under the Listing Rules.

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the SEHK on 11 May 2018. Net proceeds arising from the Listing amounted to approximately HK$124.4 million. The use of the nets proceeds from the Listing as at 31 October 2018 was approximately as follows:

Use of net proceeds	Percentage of net proceeds	Net proceeds (in HK$ million)	Amount utilised (in HK$ million)	Amount remaining (in HK$ million)
Initial capital deployment for main contractor business	65%	80.9	80.9	–
Purchase of facilities and equipment	20%	24.9	0.8	24.1
Talent recruitment and training, and expansion of our labour force	5%	6.2	5.7	0.5
Working capital	10%	12.4	12.4	–
	100%	124.4	99.8	24.6

The Group has largely utilised the net proceeds from the Listing in accordance with the intended plan and purposes as outlined in the "Future Plans and Use of Proceeds" in the Prospectus. The Group does not expect changes in the intended plan and purposes for the remaining unutilised net proceeds from Listing.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HPC HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of HPC Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 89, which comprise:

- the consolidated balance sheet as at 31 October 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Accounting of revenue and costs from construction contracts
- Impairment assessment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting of revenue and costs from construction contracts	
Refer to notes 2.17(a), 4 and 6 to the consolidated financial statements. During the year ended 31 October 2018, the Group's revenue and cost from construction contracts amounted to S$228,630,000 (2017: S$201,075,000) and S$203,972,000 (2017: S$161,277,000) respectively. The Group uses percentage-of-completion method to account for its contract revenue in accordance with IAS 11, "Construction Contracts". Percentage-of-completion is measured by reference to costs incurred to date compared with the estimated total costs for each individual contract. In making these estimates, management relied on past experience and the work of the Group's project managers and surveyors. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.	Our key procedures in relation to management's accounting for construction contracts performed are as follows: • Obtaining an understanding, evaluating and validating key controls over the revenue recognition and contract costs budgetary process of the Group, covering new contracts, contracts-in-progress at 31 October 2018 and variation orders. • In relation to the total contract revenue, (i) tracing the total contract sums to construction contracts and variation orders entered into by the Group and its customers on a sample basis; and (ii) re-computing the percentage-of-completion by calculating, on individual selected project basis, the actual contract costs incurred to date over the total budgeted contract costs.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting of revenue and costs from construction contracts (continued)	
We focused on revenue and cost recognition from construction contracts under percentage-of-completion method due to the magnitude as well as the significant management assumptions, estimates and judgement required in estimating the total contract costs and recoverable variation works.	• In relation to the total contract costs, (i) assessing the competence of project managers and surveyors; (ii) understanding and discussing the status of each of the selected projects with project managers and surveyors; (iii) reviewing the reasonableness of the costs to complete for selected projects by verifying against contracts, quotations or other supporting evidence; (iv) reviewing the reasonableness of costs components based on our understanding of the nature of selected contracts; (v) cross-checking to work progress certified by customers on a sample basis; and (vi) understanding how the selected variation orders affect the total contract costs and checking to supporting evidence. Based on the above audit procedures performed, we found that the application of judgement and estimates adopted by management in determining the estimated contract revenue, costs and profit recognition of construction contracts were supported by the evidence we obtained.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables	
Refer to notes 2.9, 4 and 15 to the consolidated financial statements. As at 31 October 2018, the Group had trade receivables of S$49,159,000 (2017: S$37,581,000). Approximately 4% (2017: 13%) of the trade receivables were aged over six months based on invoice date. To determine whether there is objective evidence of impairment, management considers a wide range of factors such as the creditworthiness, the past collection history of each customer, the probability of insolvency or significant financial difficulties of the customer and default or significant delay in payments according to the contract terms. We focused on this area due to the use of significant judgement and estimates by management on the evaluation of the recoverability of trade receivables.	Our procedures in relation to management's assessment of doubtful receivables included: • Obtaining an understanding on how management performs impairment assessment; • Testing the accuracy of aging of trade receivables balances based on invoice date and due date at year end to the underlying invoices on a sample basis; • Obtaining confirmations, on a sample basis, from major debtors of the Group to confirm the trade receivables balances at year end; and for unreturned confirmations, performing alternative procedures by comparing details with contracts and payment certificates approved by customers; • Assessing the recoverability of these balances by considering, among others, subsequent settlement on a sample basis; and • Obtaining a list of receivables which were past due and assessing the recoverability of these outstanding receivables beyond credit period with nil or partial provision made through discussion with management and with reference to supporting information provided by management, such as historical payment trend of the customers. Based on the procedures performed, we found management's impairment assessment of trade receivables to be reasonable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kam Chin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 January 2019

Consolidated Statement of Comprehensive Income

	Note	For the financial year ended 31 October 2018 S$'000	2017 S$'000
Revenue	6	**228,630**	201,075
Cost of sales	8	**(203,972)**	(161,277)
Gross profit		**24,658**	39,798
Other income	6	**558**	1,140
Other gains/(losses), net	7	**474**	(40)
Administrative expenses	8	**(9,081)**	(7,390)
Operating profit		**16,609**	33,508
Finance income	10	**75**	220
Finance costs	10	**(7)**	(7)
Finance income, net		**68**	213
Profit before income tax		**16,677**	33,721
Income tax expenses	11	**(2,962)**	(6,397)
Profit and total comprehensive income		**13,715**	27,324
Profit and total comprehensive income is attributable to:			
– Owners of the Company		**13,715**	27,324
– Non-controlling interests		**–**	–
		13,715	27,324
Earnings per share for profit attributable to owners of the Company			
Basic and diluted earnings per share (expressed in S cents per share)	12	**1.0**	2.3

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Note	As at 31 October 2018 S$'000	2017 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**4,794**	4,663
Retention receivables	15	**5,653**	10,123
Investment property	16	**2,584**	2,675
Intangible assets	17	**–**	2,204
Deferred income tax assets	23	**106**	–
		13,137	19,665
Current assets			
Trade and retention receivables	15	**60,283**	51,121
Other receivables, deposits and prepayments	15	**2,994**	977
Amounts due from customers for contract works	18	**38,875**	24,211
Cash and cash equivalents	19	**23,711**	27,792
		125,863	104,101
Total assets		**139,000**	123,766
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	**2,725**	2
Share premium	24	**69,777**	45,721
Capital reserves	25	**(26,972)**	(26,972)
Retained profits		**33,577**	43,712
Capital and reserves attributable to owners of the Company		**79,107**	62,463
Non-controlling interests		**490**	–
Total equity		**79,597**	62,463
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	20	**41**	74
Retention payables	21	**2,698**	2,902
Deferred income tax liabilities	23	**–**	400
		2,739	3,376

Consolidated Balance Sheet

	Note	As at 31 October 2018 S$'000	2017 S$'000
Current liabilities			
Trade and retention payables	21	**29,912**	31,617
Other payables and accruals	21	**4,172**	3,791
Amounts due to customers for contract works	18	**20,104**	15,372
Finance lease liabilities	20	**32**	62
Current income tax payables		**2,444**	7,085
		56,664	57,927
Total liabilities		**59,403**	61,303
Total equity and liabilities		**139,000**	123,766

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 42 to 89 were approved by the Board of Directors on 28 January 2019 and were signed on its behalf.

Mr. Wang Yingde

Mr. Shi Jianhua

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					Non-	
	Share capital	Share premium	Capital reserves	Retained profits	Total	controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 November 2016	2	45,721	(26,972)	36,388	55,139	–	55,139
Comprehensive income							
Profit for the year	–	–	–	27,324	27,324	–	27,324
Total comprehensive income	–	–	–	27,324	27,324	–	27,324
Transactions with owners							
Dividends (Note 26)	–	–	–	(20,000)	(20,000)	–	(20,000)
Total transactions with owners, recognised directly in equity	–	–	–	(20,000)	(20,000)	–	(20,000)
Balance at 31 October 2017	2	45,721	(26,972)	43,712	62,463	–	62,463
Balance at 1 November 2017	2	45,721	(26,972)	43,712	62,463	–	62,463
Comprehensive income							
Profit for the year	–	–	–	13,715	13,715	–	13,715
Total comprehensive income	–	–	–	13,715	13,715	–	13,715
Transactions with owners							
Contribution from non-controlling interests	–	–	–	–	–	490	490
Dividends (Note 26)	–	–	–	(23,850)	(23,850)	–	(23,850)
Issue of shares pursuant to capitalisation (Note 24)	2,041	(2,041)	–	–	–	–	–
Issue of shares pursuant to the share offer in Listing (Note 24)	682	30,095	–	–	30,777	–	30,777
Listing expenses related to the issue of new shares (Note 24)	–	(3,998)	–	–	(3,998)	–	(3,998)
Total transactions with owners, recognised directly in equity	2,723	24,056	–	(23,850)	2,929	490	3,419
Balance at 31 October 2018	**2,725**	**69,777**	**(26,972)**	**33,577**	**79,107**	**490**	**79,597**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	For the financial year ended 31 October 2018 S$'000	2017 S$'000
Cash flows from operating activities			
Profit before income tax		**16,677**	33,721
Adjustments for:			
– Depreciation of property, plant and equipment and investment property	13, 16	**702**	838
– Amortisation of intangible assets	17	**2,204**	2,204
– (Gain)/loss on disposal of property, plant and equipment	7	**(12)**	10
– Interest expenses	10	**7**	7
– Interest income	10	**(75)**	(220)
		19,503	36,560
Changes in working capital:			
– Amounts due from/to customers on contract works		**(9,932)**	(13,452)
– Trade and retention receivables		**(4,692)**	(14,449)
– Other receivables, deposits and prepayments		**(2,017)**	1,190
– Trade and retention payables		**(1,909)**	6,766
– Other payables and accruals		**381**	(553)
Cash generated from operations		**1,334**	16,062
Interest received		**75**	220
Income tax paid		**(8,109)**	(9,445)
Net cash (used in)/generated from operating activities		**(6,700)**	6,837
Cash flows from investing activities			
Purchases of plant and equipment	13	**(756)**	(431)
Proceeds from disposal of plant and equipment		**26**	87
Net cash used in investing activities		**(730)**	(344)
Cash flows from financing activities			
Dividends paid	26	**(23,850)**	(20,000)
Proceeds from issuance of shares		**30,777**	–
Transaction costs attributable to issuance of shares		**(3,998)**	
Contribution from non-controlling interests		**490**	–
Decrease in bank deposits pledged		**–**	171
Repayment of finance lease liabilities		**(70)**	(127)
Net cash generated from/(used in) financing activities		**3,349**	(19,956)
Net decrease in cash and cash equivalents		**(4,081)**	(13,463)
Cash and cash equivalents at beginning of the year	19	**27,792**	41,255
Cash and cash equivalents at end of the year	19	**23,711**	27,792

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1 GENERAL INFORMATION OF THE GROUP

HPC Holdings Limited ("the Company") was incorporated in the Cayman Islands on 13 October 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The address of the Company's registered office is at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in civil engineering and general building construction including major upgrading works in Singapore (the "Business"). The ultimate holding companies of the Company are Creative Value Investments Limited and Tower Point Global Limited. The ultimate controlling parties of the Group are Mr. Wang Yingde ("Mr. Wang") and Mr. Shi Jianhua ("Mr. Shi").

The shares of the Company were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 11 May 2018 (the "Listing"). Prior to the incorporation of the Company and the completion of the group reorganisation (the "Reorganisation"), the Business was carried out by HPC Builders Pte. Ltd. ("HPC Builders"). HPC Builders was controlled by Mr. Wang and Mr. Shi. In preparing for the Listing, the Reorganisation was undertaken pursuant to which the Company became the holding of its subsidiaries now comprising the Group.

The consolidated financial statements are presented in thousands of Singapore dollars ("S$'000") unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and has been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 November 2017.

Amendments to IAS 7	Statement of Cash Flows – Disclosure Initiative
Amendments to IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The Group has not early adopted the following new and revised IFRSs or amendments to IFRS which would take effect from financial periods beginning on or after 1 November 2018.

Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture[4]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle except for amendment to IFRS 12[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
IFRS 9	Financial Instruments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
IFRS 15	Revenue from Contracts with Customers and related Amendments[1]
Amendments to IFRS 15	Clarifications to IFRS 15[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined

IFRS 9 "Financial instruments" replaces the whole of IAS 39.

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

IFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12 month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

During the year ended 31 October 2018 and 2017, all of the Group's financial assets and financial liabilities were carried at amortised costs with no significant impairment on the financial assets. The implementation of IFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

IFRS 15 "Revenue from Contracts with Customers" – This new standard replaces the previous revenue standards: IAS 18 "Revenue" and IAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The major revenue stream for the Group is construction services, the performance obligations of this revenue is currently recognised in accordance with Note 2.17. Management has performed a preliminary assessment. After assessment, the Group will use input method in measuring the percentage of completion when applying IFRS 15. When applying input method, the Group would consider if there is any adjustment required for uninstalled materials, to ensure that the input method meets the objective of measuring progress towards complete satisfaction of a performance obligation. With reference to the past practice, the directors of the Company expect that the Group will not hold significant amount of uninstalled materials based on the existing operating model. Thus, the financial impact of the uninstalled materials in the application of IFRS 15 will be considered as insignificant. It is expected that the application of input method and the implementation of IFRS 15 as a whole would not result in any significant impact on the Group's financial position and result of operations. Meanwhile, there will be additional disclosure requirement under IFRS 15 upon its adoption. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

IFRS 16 "Leases" – The Group is a lessee of its office buildings which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.18. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheets. Instead, all long-term leases must be recognised in the balance sheets in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the annual period beginning on 1 November 2019, and the initial application of the standard is not expected to have a significant impact on the Group's financial position and results of operations.

Other than those analysed above, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standards.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss, except in the case of an acquisition from non-controlling shareholder, where the difference is recognised in equity as capital contribution by a shareholder.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Investment in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors (the "Executive Directors") that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in S$, which is the Company's functional currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the closing rates at the balance sheet date are recognised in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and bank balances are presented in the consolidated statements of comprehensive income within "finance costs". All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other gains/(losses), net".

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their depreciable amounts over their estimated useful lives, as follows:

	Useful lives
Computers	3 years
Furniture & fittings	3 years
Motor vehicles	3 to 10 years
Plant and equipment	3 years
Leasehold improvements	3 years
Building on freehold land	20 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains/(losses) – net" in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

Customer contracts

Customer contracts arising from acquisition of subsidiary are recognised at fair value on acquisition date and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over the contractual period of 2 years.

2.7 Impairment of non-financial assets

Intangible assets, property, plant and equipment and investments in subsidiaries

Intangible assets, property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.8 Investment property

Investment property comprises an industrial property that is held for long-term rental yield and/or for capital appreciation. Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful life of 30 years. The residual value, useful life and depreciation method of the investment property are reviewed, and adjusted as appropriate, at each balance sheet date. The effect of any revision is included in profit or loss when the changes arise.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (Continued)

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.9 Loans and receivables

Bank balances, trade and retention receivables, other receivables and deposits

Loans and receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses. The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) At the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) Based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Employee compensation

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. No forfeited contribution is available to reduce the contribution payable in future years.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue recognition (Continued)

(a) Revenue from construction contracts (Continued)

At the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as amounts due from customers for contract works. Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as amounts due to customers for contract works.

Progress billings not yet paid by customers and retentions by customers are included within "trade and retention receivables". Advances received are included within "trade and retention payables".

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.18 Leases

(a) When the Group is the lessee

The Group leases motor vehicles under finance leases and office buildings, warehouse and equipment under operating leases from non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (Continued)

(b) When the Group is the lessor

The Group leases its investment property under an operating lease to a non-related party.

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.19 Dividends distribution

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

2.20 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Executive Directors of the Group. The Executive Directors identify and evaluate financial risks in close co-operation within the Group to cope with overall risk management, as well as specific areas, such as cash flow and fair value interest rate risk, foreign currency risk, credit risk and liquidity risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign currency risk

Most of the income and expenditures of the Group are denominated in S$ being the functional currency of the subsidiaries now comprising the Group, and hence, the Group does not have any material foreign exchange exposure, except for cash and cash equivalents. Please refer to Note 19 for the foreign currency exposure.

(ii) Cash flow and fair value interest rate risk

Other than the cash at banks and the finance lease liabilities, the Group has no significant interest-bearing assets or liabilities. The Group's cash at banks carry at low interest rates which the interest income is not significant and finance lease liabilities are subject to fixed interest rate. The Group's profit and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

The credit risk of the Group mainly arises from trade, retention and other receivables, amount due from customers for contract work, deposits and bank balances.

Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increase in credit risk exposure. The Group trades with all third parties but will only provide credit terms upon approval of the management. The receivable balances are monitored on an ongoing basis by the management. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group is exposed to concentration of credit risk as at 31 October 2018 and 2017 on trade and retention receivables from the Group's top five debtors amounting to approximately, S$46,630,000 and S$48,047,000, respectively, and accounted for 64% and 77% of the total trade and retention receivables balance, respectively. The major customers of the Group are reputable organisations. Management considers that the credit risk is limited in this regard.

For the amounts due from related parties, the Group has policies in place to monitor the credit exposure of the related parties. The Group will assess the financial capabilities of the related parties including its repayment histories, and its abilities to obtain financial support when necessary. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by the related parties is low.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of collections and payments timing. The Group's objective is to maintain sufficient reserves of cash from business.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 5 years**	**Total**
	S$'000	S$'000	S$'000
31 October 2018			
Trade and retention payables, other payables and accruals	**34,084**	**2,698**	**36,782**
Finance lease liabilities	**36**	**48**	**84**
	34,120	**2,746**	**36,866**
31 October 2017			
Trade and retention payables, other payables and accruals	35,408	2,902	38,310
Finance lease liabilities	70	84	154
	35,478	2,986	38,464

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group did not raise any external borrowings other than certain finance leases (Note 20) and is not subject to any externally imposed capital requirements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values estimation

The carrying amounts of the Group's financial assets and liabilities including trade and retention receivables, other receivables and deposits, cash and cash equivalents, trade and retention payables, other payables and accruals, and finance lease liabilities approximate their fair values due to their short maturities. The carrying amounts of non-current trade and retention receivables and trade and retention payables as disclosed in Note 15 and Note 21 respectively approximate their fair values.

Financial instruments by category

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Loans and receivables	**131,516**	114,224
Financial liabilities at amortised cost	**36,855**	38,446

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENT

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are used to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of project managers and surveyors.

If the revenue on uncompleted contracts as at 31 October 2018 and 2017 had been higher/lower by 5% from management's estimates, the Group's net profit after tax would have been higher/lower by S$9,222,000 and S$5,483,000 respectively.

If the budgeted contract costs of uncompleted contracts as at 31 October 2018 and 2017 had been higher/lower by 5% from management's estimates, the Group's net profit after tax would have been lower/higher by S$8,295,000 and S$4,845,000 respectively.

Allowance for doubtful receivables

The policy for allowances for bad and doubtful debts of the Group is based on the evaluation of collectability and age analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

5 SEGMENT INFORMATION

The executive directors of the Group are the Group's chief operating decision-makers. Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions, allocate resources and assess performance. The executive directors consider the business from business segment perspective. The executive directors have identified two main reportable segments namely general building construction and civil engineering. General building construction relates mainly to the design and build projects of warehouses and other industrial or commercial buildings. Civil engineering related mainly to the construction of train stations and expressways.

Segment performance is evaluated based on reportable segment results, which is a measure of gross profit.

The segment information for the reportable segments are as follows:

	General building construction S$'000	Civil engineering S$'000	Total S$'000
31 October 2018			
Total segment revenue	214,303	14,327	228,630
Gross profit	21,258	3,400	24,658
Depreciation	143	–	143
Amortisation of intangible assets	1,899	305	2,204
Segment assets	102,257	2,712	104,969
Segment assets include:			
Additions in:			
– property, plant and equipment	102	–	102
Segment liabilities	51,613	1,101	52,714

5 SEGMENT INFORMATION (CONTINUED)

	General building construction S$'000	Civil engineering S$'000	Total S$'000
31 October 2017			
Total segment revenue	193,841	7,234	201,075
Gross profit	37,300	2,498	39,798
Depreciation	434	–	434
Amortisation of intangible assets	1,899	305	2,204
Segment assets	85,510	2,348	87,858
Segment assets include:			
Additions in:			
– property, plant and equipment	41	–	41
Segment liabilities	49,866	25	49,891

Reconciliations

(i) ***Segment profits***

A reconciliation of gross profit to profit before income tax is as follows:

	Year ended 31 October	
	2018 **S$'000**	2017 S$'000
Gross profit for reportable segments	**24,658**	39,798
Other income	**558**	1,140
Other gains/(losses), net	**474**	(40)
Administrative expenses	**(9,081)**	(7,390)
Finance income	**75**	220
Finance costs	**(7)**	(7)
Profit before income tax	**16,677**	33,721

5 SEGMENT INFORMATION (CONTINUED)

Reconciliations (Continued)

(ii) Segment assets

The amounts reported to the executive directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. Segment assets exclude unallocated head office assets as these assets are managed on a group basis.

Segment assets are reconciled to total assets as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Segment assets for reportable segments	**104,969**	87,858
Unallocated:		
Property, plant and equipment	**4,636**	4,464
Investment property	**2,584**	2,675
Deferred income tax assets	**106**	–
Other receivables, deposits and prepayments	**2,994**	977
Cash and cash equivalents	**23,711**	27,792
	139,000	123,766

(iii) Segment liabilities

The amounts reported to the executive directors with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. Segment liabilities exclude unallocated head office liabilities as these liabilities are managed on a group basis.

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Segment liabilities for reportable segments	**52,714**	49,891
Unallocated:		
Finance lease liabilities	**73**	136
Other payables and accruals	**4,172**	3,791
Deferred income tax liabilities	**–**	400
Current income tax payables	**2,444**	7,085
	59,403	61,303

5 SEGMENT INFORMATION (CONTINUED)

Reconciliations (Continued)

(iii) Segment liabilities (Continued)

All of the Group's activities are carried out in Singapore and all of the Group's assets and liabilities are located in Singapore. Accordingly, no analysis by geographical basis is presented.

Revenues derived from external customers which amount to 10 per cent or more of the Group's revenues are as follows:

	Year ended 31 October	
	2018	2017
	S$'000	S$'000
Customer A	**44,822**	31,306
Customer B	**42,965**	964
Customer C	**40,795**	21,586
Customer D	**35,999**	–
Customer E	**3,288**	48,938
Customer F	**2,353**	29,399
Customer G	**5,853**	20,865

These revenues are attributable to the general building construction segment.

6 REVENUE AND OTHER INCOME

The Group's revenue and other income recognised during the years ended 31 October 2018 and 2017 are as follows:

	Year ended 31 October	
	2018	2017
	S$'000	S$'000
Revenue:		
Construction contract revenue	**228,630**	201,075

	Year ended 31 October	
	2018	2017
	S$'000	S$'000
Other income:		
Government grants	**77**	297
Sales of scrap materials	**275**	647
Rental income	**99**	129
Others	**107**	67
	558	1,140

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 October	
	2018 S$'000	2017 S$'000
Foreign exchange gain/(loss), net	462	(30)
Gain/(loss) on disposal of plant and equipment	12	(10)
	474	(40)

8 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Year ended 31 October	
	2018 S$'000	2017 S$'000
Materials, sub-contractors and other construction costs	177,652	138,383
Liquidated damages*	–	510
Auditors' remuneration		
– Audit services	270	59
– Non-audit services	20	–
Depreciation		
– Property, plant and equipment (Note 13)	611	762
– Investment property (Note 16)	91	76
Amortisation of intangible assets (Note 17)	2,204	2,204
Employee compensation (Note 9)	27,452	23,157
Operating lease rentals	124	113
Entertainment and transportation	341	242
Professional fees	487	155
Listing expenses	2,882	2,791
Allowance for doubtful receivables	600	–
Write back of trade and other receivables	(161)	(271)
Others	480	486
Total cost of sales and administrative expenses	213,053	168,667

* Liquidated damages relate to one-off compensation for a construction contract due to delay in the progress for construction works.

The write back of trade and other receivables was recognised as administrative expenses in profit or loss.

9 EMPLOYEE COMPENSATION

	Year ended 31 October	
	2018	2017
	S$'000	S$'000
Wages and salaries (including directors' emoluments)	**26,385**	22,313
Defined contribution plans	**1,067**	844
	27,452	23,157

Five highest paid individuals

For the years ended 31 October 2018 and 2017, the five individuals whose emoluments were the highest in the Group include 2 directors (2017: 2), whose emoluments are reflected in the analysis in Note 31. The emoluments paid/payable to the remaining individuals, during the years ended 31 October 2018 and 2017 are as follows:

	Year ended 31 October	
	2018	2017
	S$'000	S$'000
Wages and salaries	**526**	448
Bonuses	**331**	188
Defined contribution plans	**48**	42
	905	678

The emoluments of the remaining individuals fell within the following bands:

	Number of individuals Year ended 31 October	
	2018	2017
Emolument band		
Nil to HK$1,000,000 (S$179,333)	**–**	1
HK$1,000,001 (S$179,333) to HK$2,000,000 (S$358,667)	**2**	2
HK$2,000,001 (S$358,667) and above	**1**	–

10 FINANCE INCOME AND COSTS

	Year ended 31 October	
	2018	2017
	S$'000	S$'000
Interest income:		
– Bank interest income	**75**	220
Finance income	**75**	220
Interest expenses:		
– Finance lease liabilities	**(7)**	(7)
Finance costs	**(7)**	(7)
Finance income, net	**68**	213

11 INCOME TAX EXPENSES

	Year ended 31 October	
	2018	2017
	S$'000	S$'000
Tax expense attributable to profit before income tax is made up of:		
– Current income tax	**3,882**	6,516
– (Over)/under provision in prior years	**(414)**	256
	3,468	6,772
Deferred income tax	**(506)**	(375)
Income tax expenses	**2,962**	6,397

11 INCOME TAX EXPENSES (CONTINUED)

The income tax expense differs from the amount that would arise using the Singapore standard rate of income tax of 17% as follows:

	Year ended 31 October	
	2018	2017
	S$'000	S$'000
Profit before income tax	**16,677**	33,721
Tax calculated at a tax rate of 17% (2017: 17%)	**2,835**	5,733
Effects of:		
Expenses not deductible for tax purposes	**688**	624
Tax incentives	**–**	(40)
Statutory stepped income exemption	**(52)**	(52)
Utilisation of capital allowances	**(75)**	(104)
(Over)/under provision in prior years	**(414)**	256
Tax rebate	**(20)**	(20)
	2,962	6,397

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issues of share in connection with the Reorganisation completed on 27 October 2016 and the capitalisation shares (Note 24) were deemed to have been in issue since 1 November 2016. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The fully diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary share.

	Year ended 31 October	
	2018	2017
Profit attributable to the owners of the Company (S$'000)	**13,715**	27,324
Weighted average number of ordinary shares in issue (in thousands)	**1,390,685**	1,200,000
Basic and diluted earnings per share (S cents)	**1.0**	2.3

13 PROPERTY, PLANT AND EQUIPMENT

	Computers	Furniture & fittings	Motor vehicles	Plant & equipment	Leasehold improvement	Building on freehold land	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 31 October 2018							
Opening net book amount	**143**	**46**	**1,208**	**199**	**–**	**3,067**	**4,663**
Additions	**107**	**19**	**497**	**102**	**31**	**–**	**756**
Disposal							
– *cost*	**–**	**–**	**(131)**	**–**	**–**	**–**	**(131)**
– *accumulated depreciation*	**–**	**–**	**117**	**–**	**–**	**–**	**117**
Depreciation	**(112)**	**(24)**	**(261)**	**(143)**	**(10)**	**(61)**	**(611)**
Closing net book amount	**138**	**41**	**1,430**	**158**	**21**	**3,006**	**4,794**
Balance at 31 October 2018							
Cost	**732**	**163**	**2,537**	**1,713**	**56**	**3,067**	**8,268**
Accumulated depreciation	**(594)**	**(122)**	**(1,107)**	**(1,555)**	**(35)**	**(61)**	**(3,474)**
Net book amount	**138**	**41**	**1,430**	**158**	**21**	**3,006**	**4,794**
Balance at 31 October 2017							
Opening net book amount	135	19	1,140	592	2	–	1,888
Transfer	–	–	–	–	–	3,067	3,067
Additions	87	38	401	41	–	–	567
Disposal							
– *cost*	–	–	(240)	–	–	–	(240)
– *accumulated depreciation*	–	–	143	–	–	–	143
Depreciation	(79)	(11)	(236)	(434)	(2)	–	(762)
Closing net book amount	143	46	1,208	199	–	3,067	4,663
Balance at 31 October 2017							
Cost	625	144	2,171	1,611	25	3,067	7,643
Accumulated depreciation	(482)	(98)	(963)	(1,412)	(25)	–	(2,980)
Net book amount	143	46	1,208	199	–	3,067	4,663

Included within additions are motor vehicles acquired under finance leases amounting to nil and S$136,000 as at 31 October 2018 and 2017 respectively. The carrying amounts of the motor vehicles held under finance leases were S$553,000 and S$646,000 as at 31 October 2018 and 2017 respectively.

14 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables S$'000
31 October 2018	
Assets as per consolidated balance sheets	
Trade and retention receivables, other receivables and deposits excluding prepayments	**68,658**
Amounts due from customers for contract works	**38,875**
Cash and cash equivalents	**23,711**
Total	**131,244**

	Financial liabilities at amortised cost S$'000
31 October 2018	
Liabilities as per consolidated balance sheets	
Trade and retention payables, other payables and accruals	**36,782**
Finance lease liabilities	**73**
Total	**36,855**

	Loans and receivables S$'000
31 October 2017	
Assets as per consolidated balance sheets	
Trade and retention receivables, other receivables and deposits excluding prepayments	62,221
Amounts due from customers for contract works	24,211
Cash and cash equivalents	27,792
Total	114,224

	Financial liabilities at amortised cost S$'000
31 October 2017	
Liabilities as per consolidated balance sheets	
Trade and retention payables, other payables and accruals	38,310
Finance lease liabilities	136
Total	38,446

15 TRADE AND RETENTION RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 October	
	2018	2017
	S$'000	S$'000
Current portion		
Trade receivables (Note (a))		
– Related parties	**–**	409
– Non-related parties	**49,159**	37,172
Allowance for doubtful receivables	**(600)**	–
	48,559	37,581
Retention receivables (Note (b))		
– Non-related parties	**11,724**	13,540
	11,724	13,540
	60,283	51,121
Other receivables, deposits and prepayments:		
– Prepayments	**272**	–
– Deposits	**1,835**	572
Other receivables		
– Related parties	**45**	45
– Non-related parties	**842**	360
	2,994	977
Non-current portion		
Retention receivables (Note (b))		
– Non-related parties	**5,653**	10,123

The carrying amounts of the trade and retention receivables, other receivables, deposits and prepayments are denominated in Singapore Dollars.

15 TRADE AND RETENTION RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The carrying amounts of current trade and retention receivables, other receivables, deposits and prepayments approximate their fair values. The fair values of non-current retention receivables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy. The fair values of non-current retention receivables and the market borrowing rates used are as follows:

	As at 31 October	
	2018 **S$'000**	2017 S$'000
Borrowing rates	**5.32%**	5.29%
Retention receivables (S$'000)	**5,245**	9,098

(a) Trade receivables

The Group's credit terms to trade debtors other than retention receivables are generally 35 days. The ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at 31 October	
	2018 **S$'000**	2017 S$'000
Less than 3 months	**39,864**	24,545
3 to 6 months	**7,119**	8,268
6 months to 1 year	**175**	984
More than 1 year	**2,001**	3,784
	49,159	37,581

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Except for an allowance of S$600,000 made in the financial year ended 31 October 2018, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group did not hold any collateral over these balances.

15 TRADE AND RETENTION RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (Continued)

As at 31 October 2018 and 2017, trade receivables of approximately S$31,552,000 and S$26,951,000 were past due but not impaired. The age analysis of trade receivables past due but not impaired is as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Overdue:		
Less than 3 months	**24,727**	20,351
3 to 6 months	**4,652**	1,836
6 months to 1 year	**175**	1,411
More than 1 year	**1,998**	3,353
	31,552	26,951

Movements in the allowance for doubtful receivables are as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Beginning of financial year	**–**	–
Allowance for doubtful receivables	**600**	–
End of financial year	**600**	–

(b) Retention receivables

Retention receivables were not yet past due as at 31 October 2018 and 2017 and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

16 INVESTMENT PROPERTY

	As at 31 October	
	2018 **S$'000**	2017 S$'000
Beginning of financial year	**2,675**	–
Transfer	**–**	2,751
Depreciation (Note 8)	**(91)**	(76)
End of financial year	**2,584**	2,675

At the balance sheet date, the details of the Group's investment property are as follows:

Location	Description/existing use	Tenure
#01-08, Loyang Enterprise Building Singapore	Industrial unit	30 years

The following amounts are recognised in the statement of comprehensive income:

	Year ended 31 October	
	2018 **S$'000**	2017 S$'000
Rental income	**99**	129

As at 31 October 2018, the fair value of the investment property was S$2,600,000 (2017: S$2,600,000) based on valuation using the sales comparison approach carried out by independent professional valuers, A* Valuer Property Consultants Pte Ltd, after taking into consideration of recent sale of comparable properties, prevailing market conditions and other factors considered to be appropriate by the directors of the Company. The most significant input in this valuation approach is the selling price per square meter. The fair value did not result in material additional depreciation to be charged.

This fair value is within Level 3 of the fair value hierarchy.

Commitments

Operating lease commitment – where the Group is a lessor

The investment property is leased to a non-related party under non-cancellable operating lease.

16 INVESTMENT PROPERTY (CONTINUED)

Commitments (Continued)

The future minimum lease receivables under non-cancellable operating lease contracted for at the balance sheet date but not recognised as receivables, are as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Within one year	**–**	148
Within two to five years	**–**	76
	–	224

At the balance sheet date, the lease has been terminated and the investment property is currently vacant.

17 INTANGIBLE ASSETS

Intangible assets represented customer related open construction contracts as a result of the acquisition of DHC Construction Pte. Ltd. on 27 October 2016.

Movement in intangible assets is as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Beginning of financial year	**2,204**	4,408
Amortisation (Note 8)	**(2,204)**	(2,204)
End of financial year	**–**	2,204

18 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	As at 31 October	
	2018 **S$'000**	2017 S$'000
Contract costs incurred plus recognised profits less recognised losses	**966,155**	1,043,000
Less: progress billings	**(947,384)**	(1,034,161)
Balance at end of year	**18,771**	8,839
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**38,875**	24,211
Amounts due to customers for contract works	**(20,104)**	(15,372)
	18,771	8,839

19 CASH AND CASH EQUIVALENTS

	As at 31 October	
	2018 **S$'000**	2017 S$'000
Cash at banks	**13,339**	20,339
Short-term bank deposits	**10,372**	7,453
	23,711	27,792

The carrying amounts of cash and cash equivalents denominated in United States Dollars and Hong Kong Dollars amounted to S$1,125,000 (2017: S$1,136,000) and S$1,362,000 (2017: S$201,000), respectively. The remaining balances are denominated in Singapore Dollars.

20 FINANCE LEASE LIABILITIES

The Group leases motor vehicles from non-related parties under finance leases.

	Minimum lease payments As at 31 October	
	2018	2017
	S$'000	S$'000
Within one year	**36**	70
Between one and five years	**48**	84
	84	154
Less: future finance charges	**(11)**	(18)
Present value of finance lease liabilities	**73**	136

The present value of finance leases are analysed as follows:

	Present value of minimum lease payments As at 31 October	
	2018	2017
	S$'000	S$'000
Within one year	**32**	62
Between one and five years	**41**	74
	73	136

21 TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 October	
	2018	2017
	S$'000	S$'000
Current portion		
Trade payables (Note (a))	**12,680**	14,847
Retention payables (Note (b))	**7,839**	4,599
Accrued construction costs	**9,393**	12,171
	29,912	31,617
Other payables and accruals (Note (c))	**4,172**	3,791
Non-current portion		
Retention payables (Note (b))	**2,698**	2,902

The carrying amounts of current trade, retention and other payables approximate their fair values. The fair values of non-current retention payables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy. The fair values of non-current retention payables and the market borrowing rates used are as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Borrowing rates	**5.32%**	5.29%
Retention payables (S$'000)	**2,468**	2,603

(a) Trade payables

As at 31 October 2018 and 2017, the ageing analysis of the trade payables, based on invoice date, is as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Less than 3 months	**11,124**	11,587
3 to 6 months	**91**	140
6 months to 1 year	**90**	1,826
More than 1 year	**1,375**	1,294
	12,680	14,847

The average credit period granted by the subcontractors and suppliers approximate 35 days.

21 TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

(b) Retention payables

Retention payables were not yet past due as at 31 October 2018 and 2017 and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

(c) Other payables and accruals

	As at 31 October	
	2018 **S$'000**	2017 S$'000
Deposits	**255**	360
Accrued expenses	**2,185**	1,336
Goods and services tax payables	**733**	1,246
Amount due to directors (Note)	**296**	–
Other payables	**703**	849
	4,172	3,791

Note:

Amount due to directors pertains to advances made by the directors for a subsidiary, Regal Haus Pte. Ltd. for upfront payment to acquire a property. The amount due to directors is interest free and expected to be repaid within one year from 31 October 2018.

22 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 October 2018:

Name of entities	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at	
				2018 **%**	2017 %
Directly owned:					
HPC Investments Limited	Investment holding	British Virgin Islands	US$1	**100%**	100%
DHC Investments Limited	Investment holding	British Virgin Islands	US$1	**100%**	100%
Indirectly owned:					
HPC Builders Pte. Ltd.	General contractors	Singapore	S$15,000,000	**100%**	100%
DHC Construction Pte. Ltd.	General contractors	Singapore	S$3,000,000	**100%**	100%
Regal Haus Pte. Ltd.	Engineering design and consultancy services	Singapore	S$510,000	**51% (Note)**	–

Note:

On 13 July 2018, the Group acquired 51% equity interest in a dormant company, Regal Haus Pte. Ltd..

The Directors are of the view that the non-controlling interests of 49% in the subsidiary are not material to the Group.

23 DEFERRED INCOME TAX BALANCES

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Deferred income tax assets:		
Recoverable after more than 12 months	**131**	–
Deferred income tax liabilities:		
Recoverable after more than 12 months	**(25)**	(400)
Deferred income tax assets/(liabilities) (net)	**106**	(400)

(a) Deferred income tax assets

	As at 31 October	
	2018	2017
	S$'000	S$'000
Beginning of financial year	**–**	–
Credited to income statement (Note 11)	**131**	–
End of financial year	**131**	–

The deferred income tax assets were recognised on the combination of intercompany transactions between subsidiaries.

(b) Deferred income tax liabilities

	As at 31 October	
	2018	2017
	S$'000	S$'000
Beginning of financial year	**(400)**	(775)
Credited to income statement (Note 11)	**375**	375
End of financial year	**(25)**	(400)

The deferred income tax liabilities were recognised on the intangible assets as a result of the acquisition of DHC Construction Pte. Ltd..

24 SHARE CAPITAL AND SHARE PREMIUM

The Company was incorporated on 13 October 2016 in the Cayman Islands.

Authorised ordinary shares

	Number of shares issued	Share capital
	'000	HK$'000
As at 1 November 2016 and 1 November 2017	38,000	380
Increase in authorised shares (Note (a))	9,962,000	99,620
As at 31 October 2018	10,000,000	100,000

Ordinary shares

	Number of shares issued and fully paid	Share capital	Share premium
	'000	S$'000	S$'000
As at 1 November 2016 and 1 November 2017	1,000	2	45,721
Issue of shares pursuant to capitalisation (Note (b))	1,199,000	2,041	(2,041)
Issue of shares pursuant to the share offer in Listing (Note (c))	400,000	682	30,095
Listing expenses related to the issue of new shares (Note (c))	–	–	(3,998)
	1,599,000	2,723	24,056
As at 31 October 2018	1,600,000	2,725	69,777

(a) Pursuant to a written resolution of the Company's shareholders passed on 19 April 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

(b) Pursuant to the written resolution of the Company's shareholders passed on 19 April 2018, 1,199,000,000 ordinary shares were issued at par value by way of capitalisation of HK$11,990,000 (equivalent to approximately S$2,041,000) from the Company's share premium account.

(c) On 11 May 2018, in connection with the Listing, the Company issued 400,000,000 shares at the price of HK$0.45 per share for a total of HK$180,000,000 (equivalent to approximately S$30,095,000), with issuance costs amounted to HK$23,912,000 (equivalent to approximately S$3,998,000) being charged to the Company's share premium accounts.

25 CAPITAL RESERVES

Reserves of the Group prior to completion of the Reorganisation, represents the share capital of HPC Builders. Reserves of the Group on completion of the Reorganisation represents the difference between the cost of investment of HPC Builders, capital contribution from shareholder and the share capital of HPC Builders.

26 DIVIDENDS

The Board does not recommend to declare any final dividend for the year ended 31 October 2018.

	Year ended 31 October	
	2018	2017
	S$'000	S$'000
Interim dividends	**23,850**	20,000

Prior to the successful Listing, the Company declared interim dividends of S$13,850,000 and S$10,000,000 on 3 April 2018 and 17 April 2018, respectively, which were paid to the then shareholders of the Company.

Dividends of S$20,000,000 were declared and paid to equity holders of the Company for the year ended 31 October 2017.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

27 CONTINGENT LIABILITIES

Contingent liabilities of which the probability of settlement is not remote at the balance sheet date, are as follows:

The Group was involved in a few litigation cases related to workplace injuries and disputes with suppliers. As at 31 October 2018 and 2017, the Group did not expect material contingent liabilities arising from the litigations.

28 CASH FLOW INFORMATION

Reconciliation of liabilities from financing activities:

	Finance lease liabilities S$'000
As at 1 November 2016	120
Repayment of finance lease liabilities	(62)
Non-cash movements	78
As at 1 November 2017	136
Repayment of finance lease liabilities	(70)
Non-cash movements	7
At at 31 October 2018	73

29 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the financial year:

Name of the related party

King Hong Construction & Development Pte. Ltd.
Jiestar Engineering Pte. Ltd.
Olivine Capital Pte. Ltd.
Onestar Construction Pte. Ltd.
Shanghai Construction (Group) General Co Singapore Branch

All of the above related parties have common key management with the Group, who are also the shareholders and directors of the Company.

Subsequent to the disposals of the interests in King Hong Construction & Development Pte. Ltd., Jiestar Engineering Pte. Ltd. and Onestar Construction Pte. Ltd. (held by the key management of the Group in November and December 2016), these companies are no longer related parties of the Group. Shanghai Construction (Group) General Co Singapore Branch ceased to be a related party effective from 26 February 2018.

29 RELATED PARTIES BALANCES AND TRANSACTIONS (CONTINUED)

(b) Transactions

Save as disclosed elsewhere in the consolidated financial statements, during the financial year, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	For the financial year ended 31 October	
	2018	2017
	S$'000	S$'000
Construction income		
– Shanghai Construction (Group) General Co Singapore Branch	**10**	335
Writeback of trade and other receivables		
– Olivine Capital Pte. Ltd.	**161**	271
Construction costs		
– King Hong Construction & Development Pte. Ltd.	**–**	114
– Jiestar Engineering Pte. Ltd.	**–**	74
– Onestar Construction Pte. Ltd.	**–**	2
– Shanghai Construction (Group) General Co Singapore Branch	**–**	221
Operating expenses charges		
– Shanghai Construction (Group) General Co Singapore Branch	**–**	64

(c) Key management compensation

Key management includes the directors, the chief executive and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	As at 31 October	
	2018	2017
	S$'000	S$'000
Salaries, allowances and benefits in kind	**898**	584
Defined contribution plans	**40**	42

(d) Balances

Outstanding balances as at 31 October 2018 and 2017, arising from sale/purchase of goods and services, are unsecured and receivables/payables within 12 months from balance sheet date and are disclosed in Note 15 and Note 21 respectively.

30 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

		As at 31 October	
	Note	**2018**	2017
		S$'000	S$'000
ASSETS			
Non-current asset			
Investments in subsidiaries		**37,223**	37,223
Current assets			
Other receivables		**32,635**	8,098
Cash and cash equivalents		**1,732**	599
		34,367	8,697
Total assets		**71,590**	45,920
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**2,725**	2
Other reserves	(a)	**69,777**	45,721
Accumulated losses	(a)	**(3,370)**	(106)
Total equity		**69,132**	45,617
Liabilities			
Other payables and accruals		**2,458**	303
Total liabilities		**2,458**	303
Total equity and liabilities		**71,590**	45,920

30 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

Note:

(a) Reserve movement of the Company

	Other reserves S$'000	Accumulated losses S$'000
Balance at 1 November 2016	45,721	–
Comprehensive income		
Profit for the year	–	19,894
Total comprehensive income	–	19,894
Transactions with owners		
Dividends (Note 26)	–	(20,000)
Total transactions with owners, recognised directly in equity	–	(20,000)
Balance at 31 October 2017	45,721	(106)
Balance at 1 November 2017	45,721	(106)
Comprehensive income		
Profit for the year	–	20,586
Total comprehensive income	–	20,586
Transactions with owners		
Dividends (Note 26)	–	(23,850)
Issue of shares pursuant to capitalisation (Note 24)	(2,041)	–
Issue of shares pursuant to the share offer in Listing (Note 24)	30,095	–
Listing expenses related to the issue of new shares (Note 24)	(3,998)	–
Total transactions with owners, recognised directly in equity	24,056	(23,850)
Balance at 31 October 2018	69,777	(3,370)

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 October 2018 and 2017 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiaries undertaking				
	Director's fees S$'000	Salary S$'000	Discretionary bonuses S$'000	Employer's contribution to a defined contribution plan S$'000	Total S$'000
31 October 2018					
Executive Director					
Mr. Wang Yingde	**–**	**316**	**133**	**21**	**470**
Mr. Shi Jianhua	**–**	**316**	**133**	**19**	**468**
Independent non-executive directors					
Mr. Zhu Dong	**19**	**–**	**–**	**–**	**19**
Mr. Leung Wai Yip	**19**	**–**	**–**	**–**	**19**
Ms. Ng King Wai Diana	**19**	**–**	**–**	**–**	**19**
Mr. Ong Toon Lian	**19**	**–**	**–**	**–**	**19**
	76	**632**	**266**	**40**	**1,014**
31 October 2017					
Executive Director					
Mr. Wang Yingde	–	242	50	21	313
Mr. Shi Jianhua	–	242	50	21	313
	–	484	100	42	626

Mr. Zhu Dong, Mr. Leung Wai Yip, Ms. Ng King Wai Diana and Mr Ong Toon Lian were appointed as the Company's independent non-executive directors on 19 April 2018.

31 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the financial year.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the financial year.

(d) Consideration provided to third parties for making available directors' services

During the financial year, the Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, corporate bodies controlled by and connected entities with such directors

There are no loans, quasi-loans and other dealing in favour of directors, corporate bodies controlled by and connected entities with such directors during the years ended 31 October 2018 and 2017.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 October 2018 and 2017.

32 EVENTS AFTER THE BALANCE SHEET DATE

On 13 December 2018, approval was obtained from JTC Corporation in respect of the purchase of a property located at 7 and 9 Kung Chong Road, Singapore 159144 at a consideration of S$13,500,000.

Four-Year Financial Summary

RESULTS

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is as follows:

	Year ended 31 October			
	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000
Revenue	**228,630**	201,075	191,327	214,160
Profit before income taxation	**16,677**	33,721	29,702	20,749
Income tax expenses	**(2,962)**	(6,397)	(4,723)	(3,229)
Profit and total comprehensive income	**13,715**	27,324	24,979	17,520
Profit and total comprehensive income is attributable to:				
Owners of the Company	**13,715**	27,324	24,979	17,520
Non-controlling interests	**–**	–	–	–
	13,715	27,324	24,979	17,520

ASSETS AND LIABILITIES

	As at 31 October			
	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000
Assets				
Non-current assets	**13,137**	19,665	20,727	13,863
Current assets	**125,863**	104,101	105,417	151,534
Total assets	**139,000**	123,766	126,144	165,397
Equity and liabilities				
Total equity	**79,597**	62,463	55,139	50,409
Non-current liabilities	**2,739**	3,376	2,958	6,163
Current liabilities	**56,664**	57,927	68,047	108,825
Total liabilities	**59,403**	61,303	71,005	114,988
Total equity and liabilities	**139,000**	123,766	126,144	165,397

Note: The summary of the consolidated results of the Group for the three financial years ended 31 October 2015, 2016 and 2017 and of the assets, equity and liabilities as at 31 October 2015, 2016 and 2017 are extracted from the Prospectus dated 27 April 2018.