HPC HOLDINGS LIMITED

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

INTERIM REPORT 2019

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
(resigned with effect from 14 June 2019)
Ms. He Han
(appointed with effect from 14 June 2019)

Company Secretary

Ms. Leung Wing Han Sharon *(FCS, FCIS, FCCA and CPA)*
Mr. Ewe Tuck Foong
(resigned with effect from 26 April 2019)

Authorised Representatives

Mr. Wang Yingde
Mr. Shi Jianhua
(appointed with effect from 26 April 2019)
Mr. Ewe Tuck Foong
(resigned with effect from 26 April 2019)

Auditor

PricewaterhouseCoopers

Compliance Adviser

Alliance Capital Partners Limited

Principal Banks

United Overseas Bank Limited
DBS Bank Ltd.

CORPORATE INFORMATION

Cayman Islands Share Registrar 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 Registrar

Tricor Investor Services Limited
Level 54, 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

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of HPC Holdings Limited (the “**Company**”) announces its unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 April 2019 (the “**Interim Period**”) together with the comparative figures for the corresponding period in 2018 (the “**Previous Period**”).

Business Review

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**”).

In the financial year 2019, the Group has breaking new ground from the traditional core business of building industrial buildings to more demanding projects of constructing corporate offices and international educational institution. Notably, the Group has secured the design & build contract for the construction of prestigious GRAB Headquarters in Singapore from a competitive bidding exercise that involved many leading local and international builders. The Group has also been awarded the construction of an international school by the renowned North London Collegial School and the design & build Gateway project by Port Authority of Singapore (PSA). With the award of these projects, the Group has further established itself as the leading industrial and commercial builder in Singapore.

The construction market in Singapore has slightly improved in the first quarter of 2019, supported by an improvement in both public sector and private sector construction activities. The Ministry of Trade and Industry (MTI) of Singapore reported that the construction sector grew by 2.9% year-on-year, a turnaround from 1.2% decline in the previous quarter. Despite such increase, the construction market still remains weak and competitive.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Local construction market sentiment remained competitive for the six months ended 30 April 2019. The Group's results were affected by reduced profit margin on the recently awarded projects.

Revenue and Gross Profit

The Group registered an 8.0% increase in revenue for the six months ended 30 April 2019 as compared with the six months' period ended 30 April 2018 from approximately S$105.3 million to approximately S$113.7 million. Revenue increment was from general building construction segment, it contributed approximately S$9.7 million to the overall revenue increment, revenue from civil engineering segment reduced approximately S$1.3 million. The two segments in combine resulted an approximately S$8.4 million overall increment. Revenue increased as a result of more ongoing projects entering their higher activities phase as compare to Previous Period. With higher activities, higher revenue recognition for construction work done was recorded.

Although higher revenue was recorded during the Interim Period, the gross profit of the Group logged only approximately S$202 thousand higher than the Previous Period. The gross profit margin was noted to have a slight decrement of 0.8%. The lower gross profit margin recorded was mainly due to recent awarded projects bear lower profit margins as compared with previous years' projects following intense market competition in the local construction industry.

Other Income

Other Income of the Group for the six months ended 30 April 2019 was higher by approximately S$440,000 primarily due to more sales of scrap, and more government subsidies were granted from more training activities as compared to Previous Period.

Administrative Expenses

The Group incurred more administrative expenses for the six months ended 30 April 2019 compared with the six months ended 30 April 2018. Administrative expenses increased by approximately S$30 thousand from approximately S$3.70 million to S$3.73 million. Overall administrative expenses had not much changes compared with Previous Period after completion of the Listing exercise. Although Listing expenses dropped significantly by approximately S$1.2 million as compared to Previous Period, the overall administrative expenses did not decrease concurrently to the same extent due to higher employee compensation, more training activities and higher deprecation expense on equipment were incurred during the Interim Period.

Income Tax Expense

The income tax expense of this period was approximately S$397 thousand higher than Previous Period, of which approximately S$100 thousand was due to the increment of the profit before tax. The rest of the higher income tax expenses was caused by the lower effective tax rate of Previous Period. The main reason of having lower effective tax rate in Previous Period was disclosed in the Previous Period interim report, there was a tax refund relating to tax adjustments made in the previous year of assessment, which resulting a decrease in the effective tax rate for the Previous Period.

Profit After Tax

As a result of the combined effects mentioned above, profit after tax attributable to owners of the Company increased by approximately S$190 thousand from approximately S$9,161 thousand to approximately S$9,351 thousand.

Dividends

The Company did not declare any dividend during the Interim Period and the Company does not recommend for further interim dividend for the six months ended 30 April 2019.

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 primarily uses of cash are payments to subcontractors, suppliers and manpower cost. The Group has been depending on its internal generated fund to funds its working capital needs. With proven track record in costs management coupled with the local regulation on construction works settlements, the Group is not expected to face any liquidity issues.

Current ratios (defined as total current assets divided by total current liabilities) of the Group remained stable at 2.2 times and 2.2 times as at 30 April 2019 and 31 October 2018, respectively.

Borrowings and Gearing

The Group's borrowings relate to certain finance lease obligations obtained through the acquisition of motor vehicles and there were term loans and shareholders loans for land purchase and redevelopment of an industrial building on the land purchased (the "**7 Kung Chong Project**").

Gearing ratios (defined as total borrowings divided by total equity) of the Group are 14.8% and 0.1% as at 30 April 2019 and 31 October 2018 respectively. The increase in the gearing ratio as at 30 April 2019 was mainly due to the above-mentioned term loans.

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 normal operations' foreign exchange exposure 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 30 April 2019, none of the Group's assets were charged with any parties or financial institutions.

Contingent Liabilities and Financial Guarantees

The Group was involved in a few litigation cases related to workplace injuries and disputes with suppliers. As at 30 April 2019, the Group did not expect material contingent liabilities arising from the litigations.

As at 30 April 2019, there is no financial guarantee granted to third parties of the Group.

Capital Expenditure and Capital Commitments

For the six months ended 30 April 2019, the Group incurred capital expenditures of approximately S$15.1 million, mainly invested into the land acquisition of the 7 Kung Chong Project.

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures during the Interim Period.

Material Investments or Capital Assets

As at 30 April 2019, the Group did not hold any material investment. There was no specific plan for material investments or capital assets as at 30 April 2019.

Event after the Interim Period

A partially owned subsidiary of the Group is in the midst of getting various authorities' clearances for the 7 Kung Chong Project, construction contract was awarded to a wholly owned subsidiary on 7 May 2019 at the amount of S$6,806,725. The transaction constitutes a connected transaction, is subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). The Company is in the midst to fulfil all the requirements and the extraordinary general meeting will be held on 18 July 2019.

Employees and Remuneration Policies

As at 30 April 2019, the Group had 892 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 amounted to approximately S$14.2 million (2018: S$13.3 million) for the six months ended 30 April 2019.

Employees of the Group receive training depending on their department and the scope of works. Typically, the human resource department arrange for employees to attend trainings from time to time, especially relating to workplace health and safety.

Prospects

The Ministry of Trade and Industry (the "**MTI**") of Singapore announced its First Quarter 2019 Economic Survey of Singapore (the "**Survey**') on 21 May 2019.

Unless otherwise stated, the statistics in this subsection including figures and its relating period referred to the same as the Survey. During the first quarter of calendar year 2019, the economy of Singapore expanded by 1.2% compared to the same period in 2018. The sectors that contributed the most to GDP growth were the finance & insurance and business services sectors.

The construction sector grew by 2.9% year-on-year, reversing the 1.2% decline in the previous quarter. This also represented the first quarter of positive year-on-year growth after ten consecutive quarters of negative growth. Construction output growth during the quarter was supported by increases in both public sector and private sector construction works.

MANAGEMENT DISCUSSION AND ANALYSIS

During the quarter, nominal certified progress payments (a proxy for construction output) rose by 7.6%, stronger than the 0.3% increase in the previous quarter. The recovery in construction output was supported by public certified progress payments (6.5%), which was in turn driven by an increase in public civil engineering works (11%) and public industrial building works (21%), as well as private certified progress payments (8.9%), which was buoyed by strong growth in private industrial building works (54%).

Meanwhile, construction demand in terms of contracts awarded fell by 8.1% in the first quarter, a reversal from the 19% increase in the previous quarter. The decline in overall construction demand was due to a fall in public sector construction demand (-25%), which in turn came on the back of a drop-in demand for public institutional and others building works (-62%) and public residential building works (-19%). By contrast, private sector construction demand expanded by 12%, a reversal from the 2.2% decline in the previous quarter. The increase was mainly due to the larger value of contracts awarded for private civil engineering works (2,619%) such as the construction of container berths at Tuas port, and private industrial building works (26%).

With the current market outlook, we expect to see the Company having to cope with a low gross profit situation for the whole of financial year 2019. Despite the intense competition, as mentioned in the Business Review section, our Group have successfully extended our business presence to a more diversified project types, which help us to build a robust risk mitigation advantage in the market. As at the Interim Period ending date, the Group still maintain an approximately S$300.7 million (equivalent to approximately HK$1,729 million) contract amount in our order book. The management remains optimistic that the Company will be able to excel further in the Singapore construction industry in the foreseeable future.

Share Option Scheme

The Group has adopted a share option scheme pursuant to which the Company may grant options to eligible persons. The maximum number of shares which may be issued upon exercise of all options to be granted under the scheme and any other schemes of the Group shall not in aggregate exceed 160,000,000, being 10% of the shares in issue in relation to the Listing date.

No share options were granted or outstanding for the six months ended 30 April 2019.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix 10 of the Listing Rules as code of conduct regarding directors' securities transactions upon Listing and upon specific enquiry made, all Directors have confirmed that they complied with the Model Code throughout the six months ended 30 April 2019.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 April 2019, the interests and short positions of the Directors, chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "**SFO**"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Company

Director	Number of Shares held	Position	Percentage of shareholding in issue *(Note 3)*	Capacity/nature of interest
Mr. Wang Yingde	660,000,000	Long position	41.25%	Interest in controlled corporation *(Note 1)*
Mr. Shi Jianhua	540,000,000	Long position	33.75%	Interest in controlled corporation *(Note 2)*

Notes:

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

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

(3) Based on a total of 1,600,000,000 shares of the Company as at 30 April 2019.

Save as disclosed above, as at 30 April 2019, 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 at 30 April 2019, 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 Global Limited	Beneficial owner *(Note (i))*	660,000,000	Long position	41.25%
Creative Value Investments Limited	Beneficial owner *(Note (ii))*	540,000,000	Long position	*33.75%*

Notes:

(i) The 660,000,000 Shares are held by Tower Point Global Limited, 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 Investments Limited, 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 30 April 2019.

Save as disclosed above, as at 30 April 2019, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

HPC Holdings Limited is committed to fulfilling its responsibilities to its shareholders of the Company (the "**Shareholders**") and protecting and enhancing the Shareholders' value through good corporate governance. The Directors recognize 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.

The Company has adopted and complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the Interim Period with the exception of code provision 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.

Audit Committee

The audit committee of the Company (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 Stock Exchange and the Company. It comprised of three independent non-executive Directors, namely, Mr. Leung Wai Yip (Chairman), Mr. Zhu Dong and Ms. Ng King Wai Diana.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control procedures and financial reporting matters including the review of the Group's half year financial results for the Interim Period. The Audit Committee is of the view that the unaudited interim consolidated financial statements for the six months ended 30 April 2019 have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

The unaudited interim condensed consolidated financial statements for the Interim Period is reviewed by the Audit Committee.

The Company's auditor, PricewaterhouseCoopers, has reviewed the unaudited interim financial information of the Group for the six months ended 30 April 2019 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the Interim Period, neither the Company nor any of its subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities.

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 percentage of net proceeds were allocated in accordance to the proposed proportion in the prospectus. As at 30 April 2019, the use of the nets proceeds 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	1.3	23.6
Talent recruitment and training, and expansion of our labour force	5%	6.2	6.2	–
Working capital	10%	12.4	12.4	–
Total	100%	124.4	100.8	23.6

Such utilisation of the net proceeds was in accordance with the proposed allocation as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus. The unutilised portion of the net proceeds is intended to be utilised in the manner consistent with the proposed allocation as set forth in the prospectus. The unutilised portion of the net proceed was expected to gradually utilised in the next three financial years.

Change in Directors’ Information

As recommended by remuneration committee and approved by the board of directors by resolution on 19 March 2019, Mr. Wang Yingde and Mr. Shi Jianhua’s monthly salary increased S$1,000 from S$30,000 to S$31,000 started from February 2019.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

Report on Review of Interim Financial Information
To the Board of Directors of HPC Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 19 to 54, which comprises the interim condensed consolidated statement of financial position of HPC Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 April 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Other matter

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 October 2018. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 April 2019 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 April 2019

		Six Months Ended 30 April	
	Note	2019 S$'000 (Unaudited)	2018 S$'000 (Unaudited)
Revenue	*3*	113,690	105,258
Cost of sales	*4*	(99,267)	(91,037)
Gross profit		14,423	14,221
Other income	*3*	742	302
Other losses, net		(71)	(25)
Administrative expenses	*4*	(3,734)	(3,704)
Operating profit		11,360	10,794
Finance income		55	30
Finance costs		(7)	(3)
Finance income, net		48	27
Profit before income tax		11,408	10,821
Income tax expenses	*5*	(2,057)	(1,660)
Profit and total comprehensive income attributable to owners of the Company		9,351	9,161
Earnings per share for profit attributable to owners of the Company per share (expressed in S cents per share)	*6*	0.6	0.8
Interim dividends	*7*	–	23,850

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2019

	Note	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	19,533	4,794
Retention receivables	*9*	9,494	5,653
Investment property		2,538	2,584
Deferred income tax assets		30	106
		31,595	13,137
Current assets			
Trade and retention receivables	*9*	84,981	60,283
Other receivables, deposits and prepayments		2,940	2,994
Contract assets	*10*	21,965	–
Amount due from customers for contract works	*10*	–	38,875
Cash and cash equivalents	*11*	25,790	23,711
		135,676	125,863
Total assets		167,271	139,000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*12*	2,725	2,725
Share premium	*12*	69,777	69,777
Capital reserves	*13*	(26,972)	(26,972)
Retained profits		42,928	33,577
Capital and reserves attributable to owners of the Company		88,458	79,107
Non-Controlling interests		490	490
Total equity		88,948	79,597

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 April 2019

	Note	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Finance lease liabilities		609	41
Retention payables	*14*	4,880	2,698
Borrowings	*15*	10,140	–
Loans from related parties		1,715	–
		17,344	2,739
Current liabilities			
Trade and retention payables	*14*	34,919	29,912
Other payables and accruals		4,376	4,172
Contract liabilities	*10*	17,027	–
Amount due to customers for contract works	*10*	–	20,104
Finance lease liabilities		57	32
Borrowings	*15*	660	–
Current income tax payables		3,940	2,444
		60,979	56,664
Total liabilities		78,323	59,403
Total equity and liabilities		167,271	139,000

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 April 2019

	Attributable to owners of the Company						
	Share capital S$'000	Share premium S$'000	Capital reserves S$'000	Retained profits S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Balance at 1 November 2018 (Audited)	2,725	69,777	(26,972)	33,577	79,107	490	79,597
Comprehensive income	–	–	–	–	–	–	–
Profit for the period	–	–	–	9,351	9,351	–	9,351
Total comprehensive income	–	–	–	9,351	9,351	–	9,351
Balance at 30 April 2019 (Unaudited)	2,725	69,777	(26,972)	42,928	88,458	490	88,948
Balance at 1 November 2017 (Audited)	2	45,721	(26,972)	43,712	62,463	–	62,463
Comprehensive income							
Profit for the period	–	–	–	9,161	9,161	–	9,161
Total comprehensive income	–	–	–	9,161	9,161	–	9,161
Transactions with owners							
Dividends *(Note 7)*	–	–	–	(23,850)	(23,850)	–	(23,850)
Total transactions with owners, recognised directly in equity	–	–	–	(23,850)	(23,850)	–	(23,850)
Balance at 30 April 2018 (Unaudited)	2	45,721	(26,972)	29,023	47,774	–	47,774

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 April 2019

	Note	Six Months Ended 30 April 2019 S$'000 (Unaudited)	Six Months Ended 30 April 2018 S$'000 (Unaudited)
Cash flows from operating activities			
Profit before income tax		11,408	10,821
Adjustments for:			
– Depreciation of property, plant and equipment and investment property		346	302
– Amortisation of intangible assets		–	1,102
– Gain on disposal of property, plant and equipment		25	(12)
– Interest expenses		7	3
– Interest income		(55)	(30)
		11,731	12,186
Changes in working capital:			
– Amounts due from/to customers on contract works and contract assets/contract liabilities		13,833	9,367
– Trade and retention receivables		(28,539)	(11,653)
– Other receivables, deposits and prepayments		54	(456)
– Trade and retention payables		7,189	22,813
– Other payables and accruals		205	(15,622)
Cash generated from operations		4,473	16,635
Interest received		55	30
Income tax paid		(486)	(4,994)
Net cash generated from operating activities		4,042	11,671
Cash flows from investing activities			
Purchases of plant and equipment	*8*	(15,104)	(605)
Proceeds from disposal of property, plant and equipment	*8a*	39	25
Net cash used in investing activities		(15,065)	(580)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the Six Months Ended 30 April 2019

	Note	Six Months Ended 30 April 2019 S$'000 (Unaudited)	2018 S$'000 (Unaudited)
Cash flows from financing activities			
Proceeds from external borrowings and loans from related parties		12,515	–
Dividends paid	*7*	–	(23,850)
Net proceed from/(repayment of) finance lease liabilities		587	(35)
Net cash generated from/(used in) financing activities		13,102	(23,885)
Net (decrease)/increase in cash and cash equivalents		2,079	(12,794)
Cash and cash equivalents at beginning of the period		23,711	27,792
Cash and cash equivalents at end of the period		25,790	14,998

Reconciliation of liabilities arising from financing activities

	1-Nov-18 S$'000	Proceeds S$'000	Non-cash changes: Principal and interest payments S$'000	Interest expense S$'000	30 April 2019 S$'000
External borrowings and loans from related parties	–	12,515	–	–	12,515
Finance lease liabilities	73	634	(47)	6	666

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General Information of the Group and Basis of Preparation

1.1 General information of the Group

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 (formerly known as Codan 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 now comprising the Group are principally engaged in civil engineering and general building construction including major upgrading works in Singapore (the "**Business**").

The share of the Company were successfully listed on the Man 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 Ptd. Ltd. ("**HPC Builders**"). HPC Builders was controlled by Mr. Wang Yingde and Mr.Shi Jianhua. 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 unaudited interim consolidated financial information are presented in thousands of Singapore dollars ("**S$'000**") unless otherwise stated.

1.2 Reorganisation & Material Acquisition/Disposal of Subsidiaries, Associates and Joint Ventures

Pursuant to the Group reorganisation as set out in the section headed "History, Reorganisation and Corporate Structure" in the Company's Listing Prospectus dated 27 April 2018 which was completed on 27 October 2016, the Company became the holding company of its subsidiaries now comprising the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General Information of the Group and Basis of Preparation (continued)

1.2 Reorganisation & Material Acquisition/Disposal of Subsidiaries, Associates and Joint Ventures (continued)

In July 2018, the Group acquired 51% share of Regal Haus Pte. Ltd. (the "**Acquisition**"), an investment holding company incorporated in Singapore, for a total consideration of S$510,000.

Upon completion of the Reorganisation and the Acquisition, as at 30 April 2019, the Company has direct and indirect interests in the following subsidiaries:

Name of Companies	Principle Activities	Country of Operation/ Incorporation	Date of Incorporation	Particulars of share capital	Effective interest held as at 30 April 2019 %	Effective interest held as at 31 October 2018 %
Directly owned:						
HPC Investments Limited	Investment holding	British Virgin Islands	13 October 2016	US$1	100%	100%
DHC Investments Limited	Investment holding	British Virgin Islands	13 October 2016	US$1	100%	100%
Indirectly owned:						
HPC Builders Pte. Ltd.	General Contractors	Singapore	18 November 2004	S$15,000,000	100%	100%
DHC Construction Pte. Ltd.	General Contractors	Singapore	18 January 2013	S$3,000,000	100%	100%
Regal Haus Pte. Ltd.	Investment holding	Singapore	31 August 2017	S$1,000,000	51%	51%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General Information of the Group and Basis of Preparation (continued)

1.3 Basis of preparation and principal accounting policies

This condensed consolidated interim financial information for the six months ended 30 April 2019 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 31 October 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

For the current period, the Group has applied all the new and revised IFRSs as well as amendments to and interpretation of IFRSs that are relevant to its operations and effective of financial periods beginning on or after 1 November 2018. Except as described below, the adoption of these new and revised IFRS does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial periods.

(a) New standards, amendments to standards and interpretations adopted by the Group:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle except for amendment to IFRS 12
IFRIC 22	Foreign currency Transactions and Advance Consideration

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General Information of the Group and Basis of Preparation (continued)

1.3 Basis of preparation and principal accounting policies (continued)

(a) ***New standards, amendments to standards and interpretations adopted by the Group:*** *(continued)*

(i) *IFRS 9 Financial Instruments*

Classification and measurement

Following the adoption of IFRS 9 and in accordance with the transitional provisions, comparative figures of the Group's financial statements have not been restated. Any reclassifications and adjustments arising from the new standards are therefore not restated in the balance sheet as at 31 October 2018, but are recognised in the opening balance sheet on 1 November 2018.

Impairment

The Group's financial assets classified at amortised cost, including trade, retention and other receivables and contract assets are subject to the new expected credit loss model for impairment assessment. The adoption of new impairment model as at 1 November 2018 has not resulted in any reduction in carrying value of these financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General Information of the Group and Basis of Preparation (continued)

1.3 Basis of preparation and principal accounting policies (continued)

(a) New standards, amendments to standards and interpretations adopted by the Group: *(continued)*

(i) IFRS 9 Financial Instruments (continued)

Trade and retention receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected losses for all trade and retention receivables and contract assets. To measure the expected credit losses, trade and retention receivables and contract assets have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information. Management has closely monitored the credit qualities and the collectability of the trade and retention receivables and contract assets. Trade and retention receivables and contract assets in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. The adoption of the simplified expected credit loss approach under IFRS 9 has not resulted in any additional impairment loss for trade and retention receivables as at 1 November 2018 and 30 April 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General Information of the Group and Basis of Preparation (continued)

1.3 Basis of preparation and principal accounting policies (continued)

(a) New standards, amendments to standards and interpretations adopted by the Group: *(continued)*

(i) IFRS 9 Financial Instruments (continued)

Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, including other receivables, deposits and prepayment in the interim condensed consolidated balance sheet, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss on these financial assets is immaterial.

(ii) IFRS 15 "Revenue from contracts with customers"

In prior reporting periods, the Group accounted for revenue from construction and engineering contracts over the period of the contracts when the outcome of construction contracts can be estimated reliably and by reference to the stage of completion of the contract activities at the end of the reporting periods. The stage of completion is measured by reference to actual costs as a percentage of total estimated costs.

1 General Information of the Group and Basis of Preparation (continued)

1.3 Basis of preparation and principal accounting policies (continued)

(a) ***New standards, amendments to standards and interpretations adopted by the Group:*** *(continued)*

(ii) IFRS 15 "Revenue from contracts with customers" (continued)

Under IFRS 15, revenue from construction and engineering contracts is recognised over time as the Group satisfies the performance obligation over time, by reference to contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract (input method for measuring progress).

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Group has elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of applying this standard for uncompleted contracts with customers as at 31 October 2018 as an adjustment to the opening balances of retained profits as at 1 November 2018 with the exemption to restate comparative figures.

The impact of the presentation of contact assets and liabilities is disclosed in Note 10.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General Information of the Group and Basis of Preparation (continued)

1.3 Basis of preparation and principal accounting policies (continued)

(a) New standards, amendments to standards and interpretations adopted by the Group: *(continued)*

(iii) Impact of adoption of IFRS 9, IFRS 15 and other amendments effective for annual period beginning on or after 1 November 2018.

The adoption of IFRS 9, IFRS 15 and other amendments effective for annual period beginning on or after 1 November 2018 and its interpretations does not have any significant impact on the Group.

(b) New standards, amendments to standards and interpretations have been issued but are not yet effective:

The following new standards, amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 November 2018 and have not been early adopted by the Group are as follows:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associates or Joint Venture[2]
IFRIC 23	Uncertainty over Income Tax Treatment[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General Information of the Group and Basis of Preparation (continued)

1.3 Basis of preparation and principal accounting policies (continued)

(b) ***New standards, amendments to standards and interpretations have been issued but are not yet effective:*** *(continued)*

Further information about those new standards, amendments to standards and interpretations that are not yet effective but are expected to have impact to the Group is set out below:

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet of the lessee as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has some operating leases on going. The preliminary assessment of the impact of new IFRS 16 to the Group is very minimum. The Group will adopt the new standard from the next financial year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 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 considers 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$'000 (Unaudited)	Civil engineering S$'000 (Unaudited)	Total S$'000 (Unaudited)
30 April 2019			
Total segment sales	105,755	7,935	113,690
Timing of revenue recognition			
Over Time	105,755	7,935	113,690
Gross profit	11,926	2,497	14,423
Depreciation	–	–	–
Amortisation of intangible assets	–	–	–
Segment assets	113,772	2,668	116,440
Segment liabilities	54,301	2,159	56,460

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Segment Information (continued)

	General building construction S$'000 (Unaudited)	Civil engineering S$'000 (Unaudited)	Total S$'000 (Unaudited)
30 April 2018			
Total segment sales	96,038	9,220	105,258
Timing of revenue recognition			
Over Time	96,038	9,220	105,258
Gross profit	11,697	2,524	14,221
Depreciation	281	–	281
Amortisation of intangible assets	949	153	1,102
Segment assets	90,090	1,739	91,829
Segment liabilities	61,506	–	61,506

Reconciliations

(i) Segment profits

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

	Six Months Ended 30 April 2019 S$'000 (Unaudited)	Six Months Ended 30 April 2018 S$'000 (Unaudited)
Gross profit for reportable segments and others	14,423	14,221
Other income	742	302
Other losses, net	(71)	(25)
Administrative expenses	(3,734)	(3,704)
Finance income	55	30
Finance costs	(7)	(3)
Profit before taxation	11,408	10,821

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 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 the consolidated financial statements as stated in the 2018 annual report of the Company. 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:

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Segment assets for reportable segments	116,440	104,969
Unallocated:		
Property, plant and equipment	19,533	4,636
Investment property	2,538	2,584
Deferred income tax assets	30	106
Other receivables, deposits and prepayments	2,940	2,994
Cash and cash equivalents	25,790	23,711
	167,271	139,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Segment Information (continued)

Reconciliations (continued)

(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 statement as stated in the 2018 annual report of the Company. 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:

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Segment liabilities for reportable segments	56,460	52,714
Unallocated:		
Finance lease liabilities	666	73
Other payables and accruals	6,457	4,172
Current income tax payables	3,940	2,444
Borrowings	10,800	–
	78,323	59,403

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Revenue and Other Income

The Group's revenue and other income recognised are as follows:

	Six Months Ended 30 April	
	2019 S$'000 (Unaudited)	2018 S$'000 (Unaudited)
Revenue:		
Construction contract revenue	113,690	105,258
Timing of revenue recognition		
Over Time	113,690	105,258

	Six Months Ended 30 April	
	2019 S$'000 (Unaudited)	2018 S$'000 (Unaudited)
Other income:		
Government grants	162	53
Sales of scrap materials	539	108
Rental income	–	74
Others	41	67
	742	302

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Expenses by Nature

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

	Six Months Ended 30 April	
	2019 S$'000 (Unaudited)	2018 S$'000 (Unaudited)
Materials, sub-contractors and other construction costs	87,334	78,417
Auditors' remuneration		
– Audit services	20	20
Depreciation		
– Property, plant and equipment (Note 8)	301	257
– Investment property	45	45
Amortisation of intangible assets	–	1,102
Employee compensation	14,173	13,272
Operating lease rentals	61	59
Entertainment and transportation	147	224
Professional fees	330	18
Listing expenses	123	1,310
Write back of trade and other receivables	–	(161)
Others	467	178
Total cost of sales and administrative expenses	103,001	94,741

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Income Tax Expenses

	Six Months Ended 30 April	
	2019 S$'000 (Unaudited)	2018 S$'000 (Unaudited)
Tax expense/(credit) attributable to profit before income tax is made up of:		
Current income tax	2,001	2,212
Deferred income tax	75	(187)
	2,076	2,025
– Over provision in prior years	(19)	(365)
Income tax expenses	2,057	1,660

The income tax expense differs from the amount that would arise using the Singapore standard rate of income tax of 17.0% as follows:

	Six Months Ended 30 April	
	2019 S$'000 (Unaudited)	2018 S$'000 (Unaudited)
Profit before income tax	11,408	10,821
Tax calculated at a tax rate of 17.0% (2018: 17.0%)	1,939	1,840
Effects of:		
Expenses not deductible for tax purposes	251	286
Tax incentives	(20)	–
Statutory stepped income exemption	(52)	(52)
Utilisation of capital allowances	(22)	(29)
Over provision in prior years	(19)	(365)
Tax rebate	(20)	(20)
	2,057	1,660

6 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 in issue. 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 is no dilutive potential ordinary share.

The calculation of basic earnings per share for the six months ended 30 April 2019 is based on the profit and total comprehensive income attributable to owners of the Company of approximately S$9,351,000 (2018: S$9,161,000) and on the weighted average number of 1,600,000,000 (2018: 1,200,000,000) ordinary shares in issue during the period. For the six months ended 30 April 2019, the weighted average number of shares is based on the total number of shares issued and fully paid as at 30 April 2019 as there was no share movements during the Interim Period.

	Six Months Ended 30 April	
	2019 S$'000 (Unaudited)	2018 S$'000 (Unaudited)
Profit attributable to the owners of the Company *(S$'000)*	9,351	9,161
Weighted average number of ordinary shares in issue *(in thousands)*	1,600,000	1,200,000
Basic and diluted earnings per share *(S cents)*	0.6	0.8

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Dividends

No dividends were declared during the interim period. The dividends declared and paid by the subsidiaries to their then shareholders prior to the Reorganisation during the six months ended 30 April 2018, were as below.

	Six Months Ended 30 April 2018 S$'000 (Unaudited)
Interim dividend	23,850

8 Property, Plant and Equipment

	Computers S$'000	Furniture & fittings S$'000	Motor vehicles S$'000	Plant & equipment S$'000	Leasehold improvement S$'000	Freehold property S$'000	Leasehold land and building S$'000	Total S$'000
Balance at 1 November 2018 (audited)								
Opening net book amount	138	41	1,430	158	21	3,006	–	4,794
Additions	78	13	1,061	1	–	–	13,951	15,104
Disposal (Note a)								
– cost	–	–	(92)	–	–	–	–	(92)
– accumulated depreciation	–	–	28	–	–	–	–	28
Depreciation	(43)	(13)	(160)	(49)	(5)	(31)	–	(301)
Closing net book amount	173	41	2,267	110	16	2,975	13,951	19,533
Balance at 30 April 2019 (unaudited)								
Cost	810	176	3,506	1,714	56	3,067	13,951	23,280
Accumulated depreciation	(637)	(135)	(1,239)	(1,604)	(40)	(92)	–	(3,747)
Net book amount	173	41	2,267	110	16	2,975	13,951	19,533

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Property, Plant and Equipment (continued)

	Computers S$'000	Furniture & fittings S$'000	Motor vehicles S$'000	Plant & equipment S$'000	Leasehold improvement S$'000	Freehold property S$'000	Leasehold land and building S$'000	Total S$'000
Balance at 1 November 2017 (audited)								
Opening net book amount	143	46	1,208	199	–	3,067	–	4,663
Transfers								
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 (audited)								
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

Included within additions are motor vehicles acquired under finance leases amounting to S$1,060,000 and S$Nil during the six months ended 30 April 2019 and full financial year ended 31 October 2018, respectively. The carrying amounts of the motor vehicles held under finance leases were S$1,343,306 and S$553,000 as at 30 April 2019 and 31 October 2018, respectively.

Note a: Disposal

In the condensed consolidated statement of cash flows, proceed from disposal of property, plant and equipment are as follows:

	For the six months ended 30 April 2019	For the year ended 31 October 2018
Net book amount	64	14
Net (loss)/gain on disposal of property, plant and equipment	(25)	12
Proceeds	39	26

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Trade and Retention Receivables, Other Receivables, Deposits and Prepayments

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Current portion		
Trade receivables *(Note (a))*		
– Non-related parties	73,493	49,159
Allowance doubtful receivable	(600)	(600)
	72,893	48,559
Retention receivables *(Note (b))*		
– Non-related parties	12,088	11,724
	84,981	60,283
Non-current portion		
Retention receivables *(Note (b))*		
– Non-related parties	9,494	5,653

The carrying amounts of the trade and retention receivables are denominated in Singapore Dollars.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Trade and Retention Receivables, Other Receivables, Deposits and Prepayments (continued)

(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:

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Less than 3 months	52,506	39,864
3 to 6 months	8,346	7,119
6 months to 1 year	11,061	175
More than 1 year	1,580	2,001
	73,493	49,159

Receivables that were past due but not impaired relate to a number of customers that have a steady stream of payments with the Group. Management believes that no additional 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.

9 Trade and Retention Receivables, Other Receivables, Deposits and Prepayments (continued)

(a) Trade receivables (continued)

As at 30 April 2019 and 31 October 2018, respectively, trade receivables of approximately S$45,865,000 and S$31,552,000 were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Overdue:		
Less than 3 months	30,220	24,727
3 to 6 months	7,163	4,652
6 months to 1 year	6,902	175
More than 1 year	1,580	1,998
	45,865	31,552

(b) Retention receivables

Retention receivables were not yet past due as at 30 April 2019 and 31 October 2018, respectively 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.

10 Contract Assets/Liabilities and Amount Due from/(to) Customers for Contract Works

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Contract costs incurred plus recognised profits less recognised losses	1,185,547	966,155
Less: progress billings	(1,180,609)	(947,384)
Balance at end of period/year	4,938	18,771

Reclassifications were made as at 1 November 2018 to be consistent with the terminology used under IFRS 15.

Contract assets recognised in relation to construction contracts were previously presented as amounts due from customers for contract work. Contract liabilities for the progress billing recognised in relation to construction contracts were previously presented as amount due to customer for contract work.

Contract assets consist of unbilled amount resulting from construction contracts when the revenue recognised exceeds the amount billed to the customers.

Contract liabilities arise when the income recognised is less than the work certified value. The Group receives payment from customers based on billing schedules as established in contracts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 Contract Assets/Liabilities and Amount Due from/(to) Customers for Contract Works (continued)

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Analysed for reporting purposes as:		
Contract assets	21,965	–
Amount due from customer for contract works	–	38,875
Contract liabilities	(17,027)	–
Amount due to customer for contract works	–	(20,104)
	4,938	18,771

11 Cash and Cash Equivalents

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Cash at banks	21,412	13,339
Short-term bank deposits	4,378	10,372
	25,790	23,711

The carrying amounts of cash and cash equivalents denominated in United States Dollars and Hong Kong Dollars amounted to S$1,010,730 (2018: S$1,125,000) and S$1,007,600 (2018: S1,362,000), the remaining balances are denominated in Singapore Dollars.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Share Capital and Share Premium

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

Authorised ordinary shares

	Number of share (in thousand)	Share Capital HK$'000
As at 1 November 2017	38,000	380
Increase in authorised shares *(Note (a))*	9,962,000	99,620
As at 30 April 2018, 31 October 2018 and 30 April 2019	10,000,000	100,000

Issued Ordinary Shares

	Number of shares issued and fully paid (in thousand)	Share Capital S$'000	Share Premium S$'000
As at 1 November 2017	1,000	2	45,721
Issue of shares pursuant to capitalisation *(Note (b))*	1,199,000	2,041	(2,041)
As at 30 April 2018	1,200,000	2,043	43,680
As at 1 May 2018	1,200,000	2,043	43,680
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)
As at 31 October 2018 and 30 April 2019	1,600,000	2,725	69,777

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Share Capital and Share Premium (continued)

Issued Ordinary Shares (continued)

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 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.

14 Trade and Retention Payables, Other Payables and Accruals

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Current portion		
Trade payables *(Note (a))*		
– Non-related parties	27,103	12,680
Retention payables *(Note (b))*		
– Non-related parties	7,450	7,839
Accrued construction costs	366	9,393
	34,919	29,912
Non-current portion		
– Non-related parties	4,880	2,698

14 Trade and Retention Payables, Other Payables and Accruals (continued)

(a) Trade payables

As at 30 April 2019 and 31 October 2018, respectively, the ageing analysis of the trade payables, based on invoice date, is as follows:

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Less than 3 months	25,390	11,124
3 to 6 months	70	91
6 months to 1 year	28	90
More than 1 year	1,615	1,375
	27,103	12,680

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

(b) Retention payables

Retention payables were not yet past due as at 30 April 2019 and 31 October 2018, respectively, 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.

15 Borrowings

	30 April 2019 S$'000 (Unaudited)	31 October 2018 S$'000 (Audited)
Current		
Mortgage loan	660	–
Non-current		
Mortgage loan	10,140	–
	10,800	–

The Group had entered into a term loan with Maybank to finance the purchase of land and building in relation to the 7 Kung Chong Project. The term loan is repayable by 180 monthly installments at a floating rate pegged to Singapore Interbanks Offered Rate. As at 30 April 2019, total undrawn bank facilities amounted to approximately S$6,880,000 (31 October 2018: Nil).

16 Contingent Liabilities

The Group was involved in a few litigation cases related to workplace injuries and disputes with suppliers. As at 30 April 2019 and 31 October 2018, respectively, the Group did not expect material contingent liabilities arising from the litigations.

As standard requirements, performance bonds, contractors all risk and work injury compensation insurances for all our projects were purchased and they covered almost all of our potential contingent liabilities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 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 company or persons were related parties:

Name of the related party

Olivine Capital Pte. Ltd. (Common director and shareholder)
Wang Yingde
Shi Jianhua

(b) Transactions

The following transactions were carried out with related parties at terms mutually agreed by both parties:

	Six Months Ended 30 April	
	2019 S$'000 (Unaudited)	2018 S$'000 (Unaudited)
Recovery of receivables previously written off		
– Olivine Capital Pte. Ltd.	–	161
Loan to the Group		
– Wang Yingde	943	–
– Shi Jianhua	772	–

Loan from related parties are non-interest bearing, unsecured and not repayable in the next twelve months.