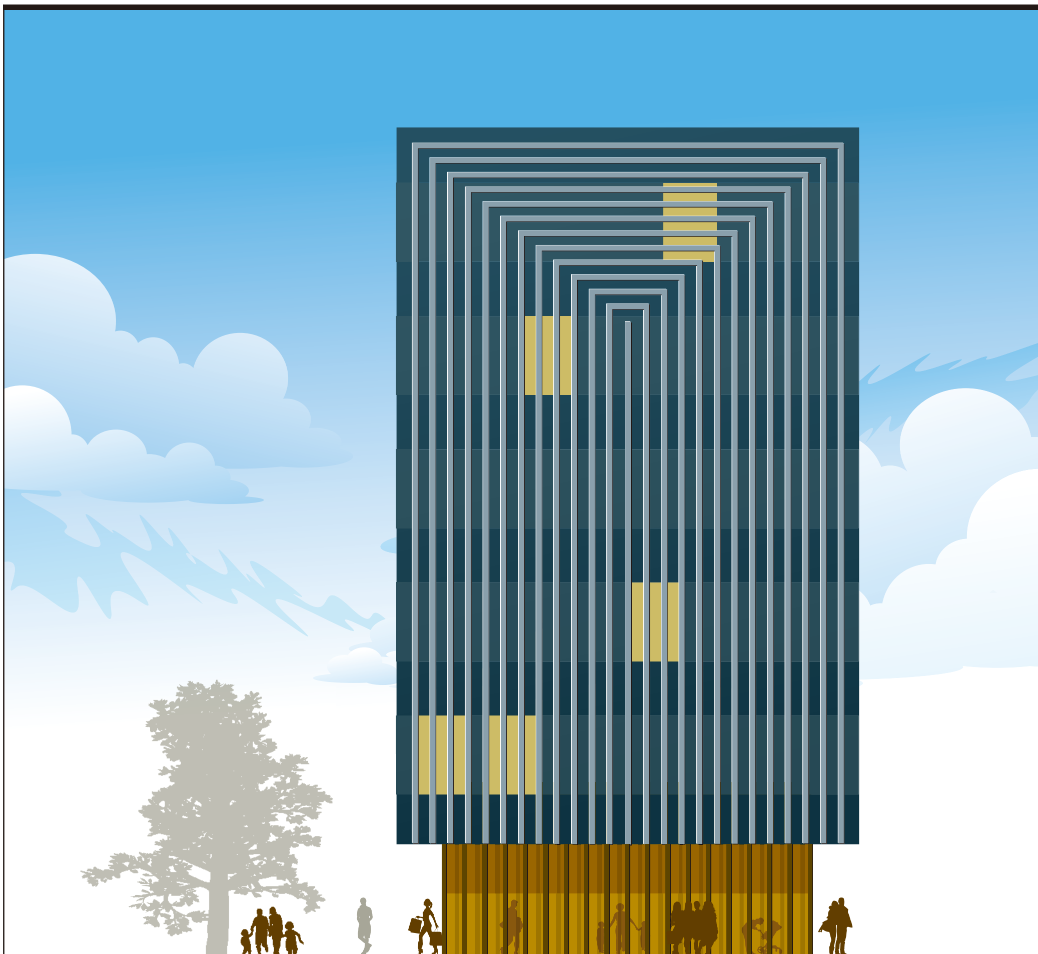
黃浦建設

HPC HOLDINGS LIMITED

HKEX 1742 (Incorporated in the Cayman Islands with limited liability)



2019 ANNUAL REPORT

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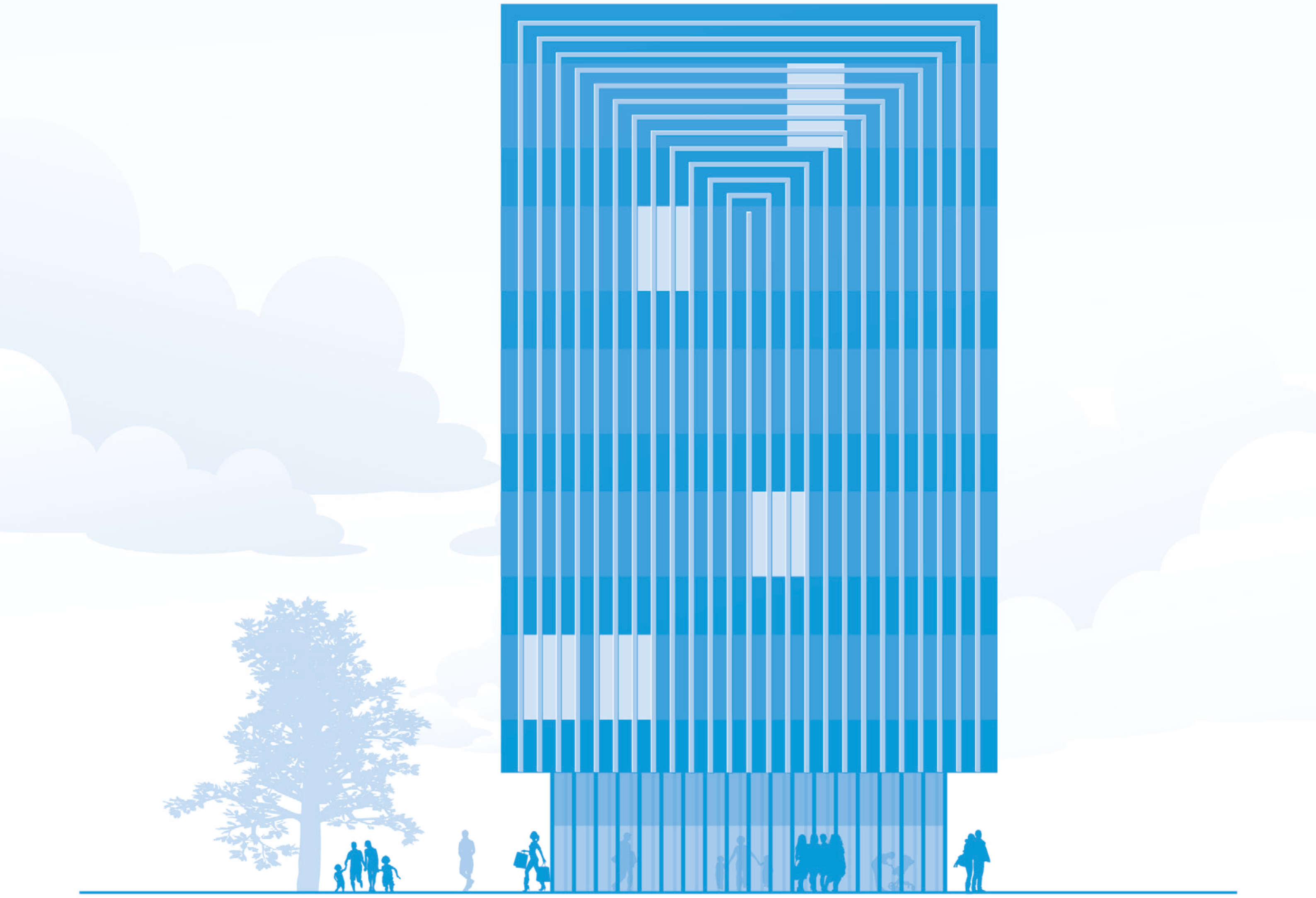


Corporate Information

REGISTERED OFFICE

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

HEADQUARTER 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

LIST OF DIRECTORS AND THEIR ROLES & FUNCTIONS

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

Group Workplace Safety and Health Committee

Mr. Ong Toon Lian *(Chairman)*
Mr. Shi Jianhua
Ms. He Han

COMPANY SECRETARY

Ms. Leung Wing Han Sharon
(FCS, FCIS, FCCA and CPA)
40th Floor, Sunlight Tower, No. 248 Queen's Road East,
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Wang Yingde
Mr. Shi Jianhua

AUDITOR

Ernst & Young LLP

PRINCIPAL BANKS

United Overseas Bank Limited
80 Raffles Place, UOB Plaza
Singapore 048624

DBS Bank Ltd.
12 Marina Boulevard,
Marina Bay, Financial Center Tower 3,
Singapore 018982

HONG KONG BRANCH SHARE REGISTER

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

www.hpc.sg

STOCK CODE

1742

Chairman Statement

To Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of HPC Holdings Limited (the "Company"), together with its subsidiaries, collectively referred to as (the "Group"), I present the annual results of the Group for the financial year ended 31 October 2019.

2019 is a challenging year. Under the influence of changing regional and international political and economic climate, Singapore's construction industry as a whole continues to be in a downturn, and project bidding competition is fierce. Nonetheless, the Group's good reputation accumulated in the industry for many years and its strong project management strength have enabled the Group to actively develop new project types while responding to market turbulence and achieved good results, while steadily maintaining traditional advantages. The Group's first real estate development project also started smoothly this year, a solid step towards our future large-scale and diversified operations.

Looking forward to 2020, the market is expected to gradually pick up. Based on the Group's excellent and stable track records, experienced and pragmatic management team, and current project contracts, I am optimistic and confident about this year's operating results. The Group will definitely achieve a steady growth in 2020. While the Group is steadily expanding its local market share, in the new year, our attempts to promote overseas business are expected to make substantial progress, which will push the development of the Group into a new chapter.

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.

HPC HOLDINGS LIMITED

Wang Yingde
Chairman of the Board & Chief Executive Officer

Singapore, 30 January 2020

Biographical Details

DIRECTORS

Mr. WANG Yingde (王應德), aged 57, 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 56, 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 58, 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 43, 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 50, 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 Hong Kong Branch. 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 53, 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. Zhang Jie (張傑), aged 36, chief financial officer of the Group. Mr. Zhang joined the Group as an accountant in December 2012. He was promoted to Assistant General Manager in September 2016 and was promoted to Chief Financial Officer on 26 April 2019. Prior to joining the Group, Mr. Zhang was an accountant at Fuji Trading (Singapore) Pte. Ltd. between March 2011 and March 2012. He served as a financial advisor at HSBC Insurance Singapore Ltd from April 2010 to March 2011. Mr. Zhang graduated with a Bachelor of Science degree in accounting and finance from the University of London in August 2011. He also obtained a Specialist Diploma in building cost management from BCA Academy of Singapore in January 2019. Mr. Zhang is a Chartered Accountant of Singapore and has been a member of the Institute of Singapore Chartered Accountants since July 2017.

Mr. Yong Chee Min (楊志明), aged 44, 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.

Ms. He Han (何晗), aged 52, project contract audit manager and members of the WSH committee of the Group. Ms. He has over 30 years of experience in construction industry. She served as project contract audit manager for HPC Builders Pte Ltd from March 2012, as members of WSH committee of the Group from June 2019. She was quantity surveyor manager for HPC Builders Pte Ltd from March 2008 to February 2012 and was a senior quantity surveyor from October 2006 to February 2008. Before joining the Group, she worked as registered resident engineer for Fu Zhou Hong Xin Engineering Supervision Company from August 2003 to September 2006. She was the chief project engineer for Bei Jing 10th Branch of China Construction Decoration Engineering Co. from October 2001 to July 2003, and as an estimation engineer for Dong Han Construction Engineering Co. from July 1997 to September 2001, as senior project quantity surveyor for 4th Bureau 5th Group Xiamen Branch of China Construction Co. from August 1991 to June 1997. She also worked as architect and designer for Shaanxi Han Zhong Planning & Design Institute from July 1988 to July 1991. Ms. He was awarded a diploma in Industrial & Civil Construction by Chongqing Construction College (now renamed and amalgamated into Chong Qing University) on 1988.

Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of HPC Holdings Limited (the "Company") hereby presents the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 October 2019 (the "Financial Year") together with the corresponding comparative figures and managerial analysis.

BUSINESS REVIEW

The Group's core business is centered on general construction and civil engineering construction works, with emphasis on design and build projects for industrial and commercial buildings in Singapore. During the Financial Year, the Group has also made significant progress in securing institutional projects such as building international school and high-end corporate offices for large corporations. The Group has also established itself as one of the top builders for building food industrial buildings after completing four food industrial factory building projects. The Group's civil engineering segment also completed many infrastructure projects in Singapore as major labor subcontractor.

With the looming economic slowdown in Singapore affected by the trade rows between the two biggest economies in the world, the construction demand in Singapore has also been greatly affected. Even though the Ministry of Trade and Industry of Singapore (the "MTI") reported that the construction sector expanded by 2.9% year-on-year, following the 2.8% expansion in the third quarter of 2019, supported by both public sector and private sector construction works, the construction market in Singapore still remains competitive and challenging with falling tender prices.

As a consequence, the Group's profit margins for general building construction segment saw a further deterioration from 9.9% for the financial year ended 31 October 2018 to 9.6% for the Financial Year. Thanks to the completion of infrastructure projects awarded few years ago, civil engineering segment profit margin increased from 23.7% for the financial year ended 31 October 2018 to 38.4% for the Financial Year.

As a whole, the Group's profit margin has slightly increased from 10.8% for the financial year ended 31 October 2018 to 12.0% for the Financial Year.

FINANCIAL REVIEW

Although demand for the local construction market sentiment has slightly recovered for the Financial Year, competition for local construction works remains intense with competitors competing for whatever contract works that are available, and at times, disregarding cost concern. On profit attributable to owners of the Company, the Group reported a S$1.1 million increment compared with the financial year ended 31 October 2018.

Revenue and Gross Profit

Although revenue for the Group decreased 5.7% compared with the financial year ended 31 October 2018, gross profit for the Group experienced a 1.2% increment compared to the financial year ended 31 October 2018. Correspondingly, there was a decrease in cost of work done by the Group by 7.1% against financial year ended 31 October 2018. General building segment contributed 91.4% and 72.8% of the Group revenue and gross profit respectively, compared with 93.7% and 86.2% for the financial year ended 31 October 2018. Civil engineering segment contributed 8.6% of the Group revenue and 27.2% of the gross profit of the Group compared with 6.3% and 13.8% respectively for the financial year ended 31 October 2018. The reason for the slight shift in weightage from general building segment to civil engineering segment was due to the price competition in the market and that newly awarded projects were mainly from general building segment.

Other Income and Gains

Due to higher sales of scrap materials and government grant received for the Financial Year despite less amount of rental income received, the overall other income is higher compared with the financial year ended 31 October 2018.

For other gains/(losses), the Group recorded a loss of approximately S$71,000 mainly due to realised foreign exchange loss arising from transactions in Hong Kong Dollars related to annual listing fee and consultancy fees paid.

Administrative Expenses

Administrative expenses for the Financial Year is lower than the financial year ended 31 October 2018 by approximately 7.6% mainly as a result of the completion of the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK") on 11 May 2018 (the "Listing") despite the higher employee compensation spent compared with the last financial year. The overall effect gives rise to a 7.6% decrement.

Income Tax Expense

Income tax expense increased by approximately 21.0% compared with the financial year ended 31 October 2018 mainly attributed to higher profit before income tax recorded for the Financial Year and lower effective tax rate for the financial year ended 31 October 2018. The lower effective tax rate for the financial year ended 31 October 2018 was due to tax refund relating to tax adjustments made in the previous year of assessment.

Profit Attributable to Owners of the Company

As a result of the above effects, profit attributable to the owners of the Company increased by approximately S$1.1 million compare with the financial year ended 31 October 2018, representing an increment of approximately 8%.

Dividends

In order to maintain competitiveness in the looming market sentiment and ensure sufficient operational liquidity, the Board does not recommend any 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 uses of cash are for payments to subcontractors, suppliers and on manpower needs. The Group has been depending on its internally generated funds to support its working capital needs. With a proven track record in costs management coupled with the local regulation on construction works settlements, the Group does not expect to face any liquidity issues.

Current ratios (defined as total current assets divided by total current liabilities) of the Group are 2.6 and 2.2 as at 31 October 2019 and 31 October 2018, respectively.

Borrowings and Gearing

The Group's borrowings mainly related to a bank loan and shareholders loan for acquisition of land on 7 Kung Chong Road, Singapore 159144 starting from this Financial Year and certain finance lease obligations obtained through the acquisition of motor vehicles.

Hence, gearing ratios (defined as total borrowings divided by total equity) of the Group increased from 0.1% as at 31 October 2018 to 11.8% as at 31 October 2019. The Group expects a further increment of the gearing ratio in next financial year by approximately 3-5% due to the expected drawdowns on construction loan of the 7 Kung Chong Road, Singapore 159144 in the year 2020.

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 exposure.

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.

Mortgage or Charges on Group's Assets

As at 31 October 2019, the acquired land was mortgaged to secure the Group's bank loan, one of the subsidiary, HPC Builders Pte Ltd. was also charged to the same bank for the same project as additional security. Other than that, only motor vehicles which were acquired via finance leases.

Contingent Liabilities and Financial Guarantees

The Group was involved in a few litigation cases related to workplace injuries and disputes with suppliers in the past. However, all cases were settled as at 31 October 2019, therefore the Group does not expect any contingent liabilities in the foreseeable future.

As at 31 October 2019, saved as disclosed in the section "Mortgage or Charges on Group's assets" there is no financial guarantee granted in favor of third party of the Group.

Capital Expenditure and Capital Commitments

For the financial year ended 31 October 2019, the Group incurred capital expenditures of approximately S$15.8 million mainly due to completion of acquisition of the land at 7 Kung Chong Road, Singapore 159144. The proposed redevelopment construction cost of the land is approximately S$7 million and it is expected to be incurred within the next two financial years.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Financial Year, the Group has no material acquisitions and disposals of subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS HELD

As at 31 October 2019, the Group did not hold any significant investment.

EMPLOYEE INFORMATION

As at 31 October 2019, the Group had 999 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$29.1 million for the financial year ended 31 October 2019 (2018: approximately S$27.5 million) due to increase in head count and annual salary increment.

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 MTI reported on 21 November 2019, taking into account the performance of the Singapore economy in the first three quarters of 2019 and the outlook for the fourth quarter of 2019, the 2019 GDP growth forecast for Singapore is narrowed from 0.5% to 1.0%.

For 2020, global growth is projected to see modest pickup, led by an improvement in the growth outlook for emerging market and developing economies. However, the growth in several Singapore's key demand markets such as US and China are expected to ease. On balance, given the growth outlook for Singapore's key final demand markets, and the projected recovery in the global electronics cycle in the year ahead, MTI expects growth in the Singapore economy to pick up modestly as compared to 2019.

Taking into account the global and domestic economic environment, the Singapore economy is expected to grow by 0.5% to 2.5% in 2020. Therefore, offering some good news to the Group as hopefully the construction demand will also be picking up accordingly.

Going forward, the Group expects the local construction market in 2020 to remain competitive and demanding. The Group has since been upgrading the capability of our tender and technical departments in order to participate in more Design & Build tenders instead of more competitive Build-Only tenders. The Group has also prepared to participate aggressively in more public tenders from Housing and Development Board, Land Transportation Authority and Port of Singapore Authority (the "PSA") who will be tendering out large amounts of tenders for the Mega Port @Tuas project. The Group has already made good progress by securing the prestigious PSA Gateway project in 2019. These efforts shall bear positive results in the year 2020.

Even with such competitive and demanding construction market in Singapore in 2019, the Group has managed to clinch 6 additional projects with total contract sum of approximately S$208.5 million (HK$1,199 million). Since the Financial Year end and up the the date of this report, we maintained a healthy Order Book Value of S$442.4 million (HK$2,544 million) going into year 2020.

HPC Holdings Limited (the "Company", together with its subsidiaries, the "Group") is committed to fulfilling its responsibilities to its shareholders of the Company (the "Shareholders") and protecting and enhancing Shareholders' value through good corporate governance. The directors of the Company (the "Directors", each a "Director") 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.

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 financial year ended 31 October 2019 (the "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 officer 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.

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 Rules Governing the Listing of Securities on the SEHK (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 Mr. Wang Yingde and Mr. Shi Jianhua has confirmed to the Company of his 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 persons and duly enforced during the Period.

BOARD OF DIRECTORS

Responsibilities

The board of Directors of the Company (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 during the Period and up to the date of this annual report. Proper insurance coverage in respect of legal actions against the Directors has been arranged by the Company.

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 ended 31 October 2019 are summarised as follows:

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

Type of trainings
A: attending seminars/conferences/forums
B: reading books, journals and updates relating to the economy, general business, risk management, corporate governance and directors' duties and responsibilities

MEETINGS OF THE BOARD AND DIRECTORS' ATTENDANCE RECORDS

From the financial year commencing on 1 November 2018 onwards, the Board is scheduled 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. 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 five meetings during the Period and up to the date of this annual report, amongst other matters, change of auditor and appoint new chief financial officer, annual general meeting, considering and approve the 7 Kung Chong Road projects, review and approve interim result announcement and interim report for the six months ended 30 April 2019, review and approve full year result announcement and annual report for the year ended 31 October 2019.

The attendance of each Director at the Board meetings during the Period and up to the date of this annual report of which include the meeting held on 30 January 2020 is as follows:

Name of Directors	**No. of Attendance/No. of Meetings**
Mr. Wang Yingde	4/5
Mr. Shi Jianhua	5/5
Mr. Zhu Dong	5/5
Mr. Leung Wai Yip	5/5
Ms. Ng King Wai Diana	5/5
Mr. Ong Toon Lian	5/5

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 Period, the Board has strictly adhered to the diversity policy on members of the Board, 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 officer 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 four Board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the Nomination Committee and the workplace safety and health committee of the Group (the "WSH 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 Stock Exchange 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 Period and up to the date of this annual report, four Audit Committee meetings were held and, amongst other matters, (i) change of external auditor; (ii) meeting with new auditor; (iii) review and recommend internal audit result to the Board; and (iv) review and recommend the full year result announcement and annual report for the financial year ended 31 October 2019.

The attendance of each INED at the Audit Committee meetings during the Period and up to the date of this annual report of which include the meeting held on 30 January 2020 is as follows:

Name of Directors	**No. of Attendance/No. of Meetings**
Mr. Leung Wai Yip	4/4
Mr. Zhu Dong	4/4
Ms. Ng King Wai Diana	4/4

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 Stock Exchange 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 Period, one Remuneration Committee meeting was held on 23 December to review and recommend to the Board for consideration certain remuneration-related matters of the Directors and senior management related to financial year ended 31 October 2019.

The attendance of each INED at the Remuneration Committee meeting during the Period and up to the date of this annual report is as follows:

Name of Directors	No. of Attendance/No. of Meetings
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 Stock Exchange and the Company.

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 officer, 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 Period, the Nomination Committee held a meeting on 30 January 2020 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 INED at the Nomination Committee meeting during the Period and up to the date of this annual report is as follows:

Name of Directors	No. of Attendance/No. of Meetings
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 contract audit manager, Ms. He Han. 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 Period, and up to the date of the annual report, four 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 Period 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	4/4
Mr. Shi Jianhua	3/4
Ms. He Han	2/4

CORPORATE GOVERNANCE FUNCTIONS

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. Each of the 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 30 January 2020.

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 ended 31 October 2019 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" in this annual report for the financial year ended 31 October 2019 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)	3
HK$2,000,001 (S$358,667) and above	–

INDEPENDENT AUDITOR'S REMUNERATION

For the financial year ended 31 October 2019, Ernst & Young LLP was engaged as the Group's independent auditor. The remuneration paid/payable to Ernst & Young LLP for the financial year ended 31 October 2019 is set out below:

Services Fee paid/payable	HK$
Audit services	805,000
Non-audit services	–
Total	805,000

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 ended 31 October 2019. 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, Ernst & Young LLP has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the financial year ended 31 October 2019.

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 ended 31 October 2019. 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 internal control from the date of last annual report 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 chief financial officer and the head of investor relations of the Company are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

On 25 January 2017, the Company appointed two joint company secretaries, namely Mr. Ewe Tuck Foong and Ms. Leung Wing Han Sharon ("Ms. Leung"). Mr. Ewe resigned and was approved by the Board on 26 April 2019 and since then, Ms. Leung remains as the sole company secretary of the Company. Ms. Leung is concurrently a vice president of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Leung's primary contact person is Mr. Zhang Jie, the chief financial officer of the Company. Mr. Zhang has been working in the Company for seven years, he has sound knowledge about the operation of the Company. During the financial year ended 31 October 2019. Ms. Leung has received no less than 15 hours of professional training in compliance with Rule 3.29 of the Listing Rules. All members of the Board can have access to the company secretary's advice and services. The appointment and removal of the company secretary 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 (40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong) for the attention of the company secretary. 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 Board will 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 40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong, by post for the attention of the company secretary. Upon receipt of the enquiries, the company secretary 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 ended 31 October 2019. 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

There was no significant event after the reporting period.

Directors' Report

The Directors present the annual report and the audited consolidated financial statements of HPC Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 October 2019.

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 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 Period.

RESULTS/BUSINESS REVIEW

The results of the Group for the financial year ended 31 October 2019 are set out in the section headed "Consolidated Statement of Comprehensive Income" in this annual report. The business review of the Group for the financial year ended 31 October 2019 is set out in the section headed "Management Discussion and Analysis" in this annual report.

DIVIDENDS

The Board does not recommend the payment of final dividend for the financial year ended 31 October 2019. 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 ended 31 October 2019 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 ended 31 October 2019.

PURCHASE, SALE OR REDEMPTION 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

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

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 2019 were as follows:

	Share premium	**Accumulated losses**
	S$'000	S$'000
2019	**69,777**	**(4,575)**
2018	69,777	(3,370)

RESERVES AND DISTRIBUTABLE RESERVES

The Company did not have distributable reserves as at 31 October 2019, calculated under the Companies Law, Cap 22 (Law 3 of 1961, 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 principle 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 is carried out in Singapore while the Company itself is 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 ended 31 October 2019 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, local and international developers or institution 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 2019 and 31 October 2018 amounted to approximately S$145.6 million and S$167.9 million, respectively of which represents approximately 67.6% and 73.4% of total revenue. Revenue from the largest client for the same periods amounted to approximately S$45.9 million and S$44.8 million, respectively of which represents approximately 21.3% and 19.6% of total revenue.

Major costs of work done mainly refer to subcontractors' costs and purchases from suppliers. The Group typically engages subcontractors for more specialised services such as mechanical and electrical 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 2019 and 31 October 2018 amounted to approximately S$29.6 million and S$31.3 million, respectively of which represents approximately 15.6% and 15.4% of total costs of work done. Subcontractors' costs from the largest subcontractor for the same periods amounted to approximately S$9.8 million and S$7.8 million, respectively of which represents approximately 5.2% and 3.8% of total costs of work done.

Purchases from the five largest suppliers for the Group for the financial years ended 31 October 2019 and 31 October 2018 amounted to approximately S$23.6 million and S$33.9 million, respectively of which represents approximately 12.5% and 16.6% of total costs of work done. Purchases from the largest supplier for the same periods amounted to approximately S$9.6 million and S$16.3 million, respectively of which represents approximately 5.1% and 8.0% 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 Period and up to the date of this annual report were:

Mr. Wang Yingde	*(Chairman and Chief Executive Officer)*
Mr. Shi Jianhua	*(Chief Operations Officer)*
Mr. Zhu Dong	*(Independent non-executive Director)*
Mr. Leung Wai Yip	*(Independent non-executive Director)*
Ms. Ng King Wai Diana	*(Independent non-executive Director)*
Mr. Ong Toon Lian	*(Independent non-executive Director)*

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. Ong Toon Lian and Mr. Leung Wai Yip shall retire at the forthcoming AGM and being eligible, will offer themselves for re-election.

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 2019, 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 during the financial year ended 31 October 2019.

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

As at 31 October 2019, 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 Global Limited ("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 Investments Limited ("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 in issue of the Company as at 31 October 2019.

Save as disclosed above, as at 31 October 2019, none of the Directors and chief executive 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.

As at 31 October 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	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 in issue of the Company as at 31 October 2019.

Save as disclosed above, as at 31 October 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.

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 ended 31 October 2019.

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 8 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 Period or at any time since the Company's securities were listed at the SEHK except disclosed below in the "Connected and Related Party Transactions".

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 ended 31 October 2019.

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 as independent.

CHANGE OF AUDITOR

There was no change in auditor of the Company for the preceding three years except has changed the auditor of the Company from PricewaterhouseCoopers to Ernst & Young LLP since 6 August 2019.

CONNECTED AND RELATED PARTY TRANSACTIONS

On 7 May 2019, DHC Construction Pte. Ltd. ("DHC Construction"), an indirect wholly-owned subsidiary of the Company, and Regal Haus Pte. Ltd. ("Regal Haus"), a company owned as to 51.00% by the Company, 26.95% by Mr. Wang Yingde ("Mr. Wang") and 22.05% by Mr. Shi Jianhua ("Mr. Shi"), entered into the letter of award on 7 May 2019 (after trading hours), pursuant to which Regal Haus agreed to award the project relating to the redevelopment of a light industrial property located at 7 Kung Chong Road Singapore 159144 (the "Project") to DHC Construction for a total contract sum of S$6,806,725.

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.

Material Terms of the Transaction

DHC Construction shall, in its capacity as main contractor of the Project, be responsible for redeveloping the property into a six-storey industrial building.

DHC Construction shall submit a performance and insurance bond obtained from an approved insurance company with the amount of S$680,672.5 (representing 10% of the total contract sum) which shall be returned to DHC Construction upon issuance of certificate of completion. The submission of performance and insurance bond by the contractor is a surety to ensure the contractor will complete the Project, which is market norm in the Singapore construction industry. By way of illustration, the Group will require all contractors to submit performance and insurance bond for all projects.

DHC Construction shall provide Regal Haus with a maintenance period of 12 months from the date of issuance of certificate of completion.

In the event of any delay of the Project and an extension of time cannot be agreed by DHC Construction and Regal Haus, DHC Construction shall pay the liquidated damages of S$13,600 per day (approximately 0.2% of the total contract sum) to Regal Haus, which damages will apply to the delay of completion of the entire Project within the contract period which is expected to end in November 2020.

The interests, liabilities, obligations, costs and expenses of the Project will be shared between HPC Builders Pte. Ltd., 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.

As Mr. Wang and Mr. Shi are both executive Directors and the controlling shareholders of the Company, Regal Haus is a connected subsidiary thus a connected person of the Company under the Listing Rule. This transaction constitutes a connected transaction.

Related party transactions entered into by the Group during the financial year ended 31 October 2019, are disclosed in Note 28 to the consolidated financial statements. None of these related party transactions constituted one-off connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, the Group had not entered into any connected transaction during the financial year ended 31 October 2019, 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.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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 net proceeds from the Listing as at 31 October 2019 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	3.2	21.7
Talent recruitment and training, and expansion of our labour force	5%	6.2	6.2	–
Working capital	10%	12.4	12.4	–
	100%	124.4	102.7	21.7

The Group has 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. The unutilised portion of the net proceeds was expected to be gradually utilised in the next three financial years.

On behalf of the board of directors:

Wang Yingde
Director

Shi Jianhua
Director

Singapore
30 January 2020

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S MESSAGE

Sustainability Report

As a responsible corporate citizen, the Group is committed to uphold ethical standards and continue to introduce and implement sustainable innovations in our business operations. We adopt a comprehensive approach in managing the environmental impacts of our construction activities and we have adequate environmental policies in place to achieve sustainable operations.

We have been actively promoting and practising green and gracious policies to provide a pleasant environment for all residents in the vicinity of our works and members of the public. We have implemented social and community engagement policies to ensure that the social impacts of our construction activities are minimised.

The Group deeply values our employees. As an employer, we are committed to protect the health and safety of all our employees. We have comprehensive safety policies and measures to safeguard their well-being. We endeavour to develop our people to their fullest potential and nurture them to support our growth and steer the Group ahead.

OUR SUSTAINABILITY STORY AND PERFORMANCE

Our Mission

To be a leading reputable builder capable of delivering projects with High Quality Products, Reliable Follow-up Services and Cost-effective Pricing to our clients.

Our Vision

和諧進取，精益求精

We believe in working in a harmonious and team-building environment in ensuring constant progress towards achieving our corporate goal of delivering the Best Services to our Customers and Society.

Sustainability Targets

At HPC, we are committed to achieving environmental and social sustainability in our daily operations. Our sustainability targets for the financial year ended at 31 October 2019 (the "FY2019") are as follows:

Environmental	Ensure zero fine for air pollution per project Ensure zero fine for muddy water discharge per project Observe zero spillage to ensure zero fine for land pollution per project Ensure zero fine for mosquito breeding per project Ensure for noise pollution: – No more than three fines for projects near residential area per project – No more than one fine for projects near commercial area per project – Zero fine for projects near industrial area per project Provide designated area for dumping to ensure zero fine per project Segregate waste disposal by licensed waste collector to ensure zero fine per project Reduce concrete waste: – To ensure no more than 7.5% wastage for sub-structure construction per project – To ensure no more than 5% wastage for super-structure construction per project Reduce steel waste to ensure no more than 3% wastage per construction per project
Occupational Health and Safety	Zero occupational health and safety incidents Ensure active and proper implementation of control measures targeting safety risks

Sustainability Recognitions

The Group's competitive advantage lies in its ability to manage and execute construction projects on a timely and reliable basis, including larger scale and more complex projects. In Singapore, the Group was ranked 15th service provider for general building works by revenue receipts in 2017 and ranked first in warehouse construction works by revenue receipts in 2017.

We have won numerous accolades and awards in recognition of our excellence in construction practices.

- ISO 9001 Quality Management System
- ISO 14001 Environment Management System
- OHSAS18001 Occupational Health and Safety Management System
- BCA Green Mark (Gold) Award for Keppel Logistics Warehouse, 2014
- BCA Building Information Modelling (BIM) Award (Gold) for Jurong East Nursing Home, 2015
- BCA Building Information Modelling (BIM) Award (Gold) for Bishan Nursing Home, 2015
- BCA Green Mark (Platinum) Award for Supply Chain City, 2016
- BCA Green Mark (Platinum) Award for CWT Limited, 2017
- BizSAFE Level Star Certificate, 2017
- BCA Green and Gracious Builders Award (Excellent), 2017-2020
- BCA Green Mark (Platinum) Award for JTC Poultry Hub, 2018
- BCA Green Mark (Platinum) Award for Diamond Land, 2018
- The Singapore Contractors Association Ltd – Productivity & Innovation Award for JTC Poultry Hub, 2019

ETHICS AND INTEGRITY

Corruption, Bribery and Extortion

HPC strictly prohibits all forms of corruption, bribery and extortion. We are fully committed to conducting business with integrity and consistent with the highest ethical standards, and in compliance with all applicable laws and regulatory requirements for the prevention of corruption, bribery and extortion.

Corrupt practices may subject the Group and individual employees to potential criminal and civil liabilities. Corrupt practices may also adversely affect the reputation of HPC as well as the confidence held by stakeholders, including our customers and business partners in our commitment to act professionally, fairly and with integrity in all our business dealings and relationships.

In line with our commitment to maintain high ethical standards which are integral to our corporate identity and our business, it is HPC's policy to adopt a "zero-tolerance" approach against all forms of corruption, bribery and extortion.

In FY2019, there was no legal cases brought against HPC or its employees regarding corrupt practices.

Fraud

HPC endeavours to operate in compliance with local regulations regarding fraudulent activities. We have established a corporate fraud policy to facilitate the development of controls that will aid in the detection and prevention of fraud against HPC and its subsidiaries. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any irregularity that is detected or suspected must be reported immediately to the CEO, who will coordinate internal and external investigations with the Legal Department and other implicated departments.

The Fraud Investigation Unit is primarily responsible for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities had occurred, the Fraud Investigation Unit will report to the designated personnel and, if appropriate, the Board of Directors through the Audit Committee.

Money laundering

We recognise the importance of anti-money laundering ("AML") and therefore comply with international and domestic laws and implement appropriate policies. HPC will stipulate the roles and internal controls within the company.

Given that directors are responsible for directing a company's business effectively, they are obligated to ensure compliance with all relevant AML laws. A director with reasonable care, skill and diligence would need to comply with AML laws by being able to understand and address the AML risks and appoint one of the directors or proper senior company personnel to be the central reference point for suspicious transaction reporting.

HPC implements and maintains appropriate measures to conduct customer due diligence. We train employees in matters related to AML so that employees can implement immediate and appropriate measures for customer due diligence.

We also implement and maintain measures for handling suspicious transactions, and we will report suspicious transactions to relevant authorities immediately.

HPC regularly reviews and improves the AML policy and internal controls based on the effectiveness of the measures.

Whistle-Blowing

The Group is committed to achieving and maintaining the highest standards of openness, integrity and accountability. Our whistle-blowing policy serves to increase the Group's awareness of maintaining internal corporate justice and it encourages all employees to report serious concerns about any suspected misconduct, malpractice or irregularity. Employees with legitimate concerns can raise the matter directly with the Chairman of the Audit Committee. The Chairman of the Audit Committee will review the complaint and decide how the investigation should proceed.

The Audit Committee has the overall responsibility over implementation, monitoring and periodic review of the whistle-blowing policy.

GOVERNANCE AND STATEMENT OF THE BOARD

HPC's Board and senior management have assessed sustainability issues as part of the strategic formulation of the company. The Board has determined the material ESG factors and overseen the management and monitoring of the material ESG factors.

The Board of Directors acknowledges its responsibility for ensuring the integrity of the ESG report and to the best of its knowledge this report addresses all relevant material issues and fairly presents the ESG performance of the organisation and its impacts. The Board of Directors confirms that it has reviewed and approved the report.

Please refer to the Corporate Governance Report for more information on corporate governance practices, precautionary measures and risk management structure.

STAKEHOLDER ENGAGEMENT

We identify stakeholders as groups that have an impact, or have the potential to be impacted by our business, as well as external organisations that have expertise in topics that we consider material. We have a wide network of stakeholders, including customers (end users and developers), employees, communities, government organisations and shareholders. We engage with our stakeholders on an ongoing basis through channels and platforms such as surveys, regular dialogue and meetings.

Below is the table listing our stakeholder groups, engagement methods and material topics we address.

Customers	Employees	Suppliers	Government Organisations	Communities	Shareholders
Issues of Concern					
Building health and safety	Occupational health and safety, development, benefits and welfare	Raw material sourcing, environmental compliance	Regulatory requirements, environmental protection, safety	Social welfare, environmental protection	Economic performance, corporate governance
Engagement Approach					
Customer feedback	Appraisals	Supplier evaluation	Ongoing dialogues, annual reports	Community service	Annual reports

REPORTING PRACTICE

The report is prepared in compliance with Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It is also reported in accordance to the "Core" option of the Global Reporting Initiative ("GRI") Standards.

This report incorporates the general standard disclosures and Key Performance Indicators ("KPIs") as set out by the "Comply or Explain" provisions of the ESG Guide. The GRI Standards represent global best practices for reporting on economic, environmental and social topics.

The report discloses progress on environmental, social and governance issues from 1 November 2018 to 31 October 2019. For governance section, please refer the Corporate Governance report. The Group has assessed that external assurance is not required as the Group is laying the foundations for a sustainability reporting framework this year. Detailed section references with GRI Standards can be found on the GRI Index Page.

Material Topics	Boundaries (i.e. which segment, which country or even which subsidiary)
ECONOMIC	
Indirect Economic Impacts	Applicable to construction and other construction-related businesses
Anti-corruption	Group wide
ENVIRONMENTAL	
Materials	Applicable to construction and other construction-related businesses
Energy	Applicable to construction and other construction-related businesses
Water	Applicable to construction and other construction-related businesses
Emissions	Applicable to construction and other construction-related businesses
Effluents and Waste	Applicable to construction and other construction-related businesses
Environmental Compliance	Applicable to construction and other construction-related businesses
Supplier Environment Assessment	Applicable to construction and other construction-related businesses
SOCIAL	
Employment	Applicable to the Group's employees and workers in construction and other construction-related services segments
Occupational Health and Safety	Applicable to the Group's employees and workers in construction and other construction-related services segments
Training and Education	Applicable to the Group's employees and workers in construction and other construction-related services segments
Diversity and Equal Opportunity	Applicable to the Group's employees and workers in construction and other construction-related services segments
Non-discrimination	Group wide
Child Labour	Group wide
Forced or Compulsory Labour	Group wide
Local Community	Applicable to local communities impacted by construction segments
Supplier Social Assessment	Applicable to suppliers for construction segment
Customer Health and Safety	Applicable to construction and other construction-related businesses
Socio-economic compliance	Applicable across construction and other construction-related services segments

SUSTAINABLE BUILT ENVIRONMENT

HPC endeavours to design and construct sustainable buildings that focus on protecting user safety and reducing environmental impacts in the construction and operation of the building. We are committed to comply with all Quality, Environmental, Health and Safety ("QEHS") regulations and requirements.

Our QEHS policy is as follows:

Quality in works and services	**Environmental friendliness and protection, and prevention of pollution**	**Safe and healthy workplace with commitment to prevent injury and illness**	**Green and gracious practices, endeavour to protect environmental aspects and reduce impact of global warming**

Furthermore, we endeavour to protect the environment and be gracious to our employees and occupants near our construction sites with the implementation of our Green and Gracious policies, which include:

- Reducing use of natural resources such as energy, diesel and water
- Preventing land, water and air pollution
- Reducing waste through promoting Reduce, Reuse and Recycle activities
- Reducing noise and vibrations on site
- Providing a safe workplace, ensuring public safety and easy accessibility
- Communicating proactively with nearby occupants to build good relations
- Cultivating an effective two-way communication channel between management and staff/workers on green and gracious issues

We organise annual Green and Gracious campaigns for each project which involves all relevant parties including staff and workers to raise awareness, educate and inculcate Green and Gracious practices on site.

We have onsite Environment, Health and Safety ("EHS") committees and Environmental Control Officers ("ECO") at all project sites to ensure monitoring and proper execution of our environmental policies. We regularly assess our suppliers and subcontractors to ensure that they operate in an environmentally sustainable manner. We ensure strict compliance with local environmental laws and regulations in our daily operations.

User Safety

GRI 416-1, 416-2, 417-1, 417-2, 417-3

At HPC, we strictly uphold our QEHS policy to achieve quality in works and services. We dedicate our operations and services to achieving total satisfaction of our developers, buyers and end users, as well as government authorities and agencies. We continuously improve on our business operations and processes and regularly review our QEHS objectives and targets to properly implement, maintain and improve our QEHS management and performance. We strictly comply with all safety requirements of our customers and local safety regulations.

Sustainable Design

GRI 203-2

As a construction company that endeavours to incorporate sustainable designs in the buildings we construct, we aspire to achieve Building and Construction Authority ("BCA") Greenmark for the design and construction of our projects. We incorporate Singapore Green Building Council ("SGBC") and Singapore Green Labelling Scheme ("SGLS") certified products in our building designs to create more awareness about environmental sustainability of our buildings.

Sustainable Construction

The Group endeavours to operate our construction projects in a responsible and sustainable manner that is compliant with local environmental regulations and requirements. We strive to minimise our impact on the environment and natural resources by implementing adequate environmental and Green and Gracious policies to achieve sustainable construction. We also use products that are environmentally friendly, non-toxic and biodegradable on site to minimise the environmental impact of our operations.

Energy Conservation

GRI 302-1, 302-3, 302-4, 307-1

We are aware that construction operations are energy intensive. As such, we have implemented measures and policies to minimise our impacts on natural resources.

At HPC, all projects are supplied by mains electricity and electric meters are installed to record and monitor on-site energy consumption. In addition, all construction site office equipment and appliances that we have procured are energy efficient, and all office computers, photocopying machine and printers are automated to shut down overnight.

These measures and conscientious procurement decisions are part of our energy conservation efforts that enable us to effectively control our energy consumption and reduce wastage.

The Group has implemented a Resource Conservation Program to minimise the impact of our operations on natural resources, specifically diesel, fuel and electricity consumption.

Increase energy efficiency

- Use of energy-saving LED lights for construction site
- Replace incandescent bulb fittings with energy-saving fluorescent fittings that are four times more efficient
- Replace mercury vapour lamp fittings with high pressure sodium vapour lamps that give the same lumens using less 150W less energy
- For floorlighting, replace tungsten halogen lamp fittings with metal halide or high pressure sodium lamps, which are one of the most efficient sources of light
- Replace fluorescent tube ballasts with low-loss ballasts which are more energy efficient, saving 50% of energy used
- Use of energy efficient electrical appliances and equipment with Singapore Green Label

Reduce energy usage

- Set electrical appliances and equipment on power saver mode to reduce electrical consumption
- Signage to remind users to switch off when not in use

Use sustainable energy

- Use of alternative energy sources such as solar cells in equipment
- Use of AC Grid power supply instead of diesel generators to

We monitor the energy consumption data to ensure that there is no energy wastage in our construction projects. Up to FY2019, the Group has completed 5 projects which consumed a total of 1,600,276 litres of diesel. There was no electric energy consumption. The total gross floor area used for these construction projects totalled 178,203.2 m^2.

Emissions Management

GRI 305-2, 305-4, 305-5, 305-7, 307-1

Construction operations generate air pollutants such as dust and exhaust from machinery and mechanical plants. Use of chemical substances can also generate hazardous vapours if they are not handled with caution. In order to protect our workers and surrounding occupants from air pollution and air-borne diseases, we control dust, fumes and air pollutants generated at our construction sites at a sustainable level. Contractors and workers are adequately trained to understand the consequences of air pollution on human health and the environment, and they are given simple instructions on operation and maintenance of equipment to ensure the preservation of air quality on-site.

We strictly comply with local laws and regulations on air and greenhouse gas emissions in our daily operations.

Management of Hazardous Substances

Vapourisation of chemical substances beyond permissible levels can be fatal. As such, we have hazardous chemical management policies in place to ensure the safe use of chemicals and the protection of employees against chemical hazards. Chemical substances with low vapour pressures should be stored under tight lids and volatile vapour must be properly stored to prevent fire and explosion hazards.

Dust Management

All activities involving excavation or disturbance of soils must explore preventive controls and implement physical controls to minimize the generation of dust and reduce its release into the atmosphere.

Exhaust Management

All operations of plants and equipment must comply with local regulations, and maintenance and servicing must be performed regularly in accordance with manufacturing guidelines to ensure that any exhaust or other emissions generated are within standard specifications.

Maintenance of diesel-powered mechanical plants is critical as the exhaust fumes will pollute the environment. Concrete batching plants and cement silos on-site must be fitted with air pollution control equipment (which needs to be maintained regularly) to reduce emissions and abate air pollution.

Good Housekeeping

- Storage of chemical substances, fuels and other hydrocarbons
- Storage under tight lids, properly labelled and segregated from other combustible materials
- Storage facility should be well ventilated to prevent excessive accumulation

Good Storage

- During hot dry weather, sand heaps should be wetted regularly to keep dust down
- Store in proper enclosures to prevent accidental damage which will allow cement to be spilled onto the ground and under strong wind conditions, will be carried and suspended in air
- Disposal of cement bags, solvent, paint and fuel containers to prevent residual dust and fumes emanating from the sources
- Removal of refuse and construction debris on a daily basis to avoid sources for generation of dust

Good Maintenance

- Preventive maintenance program established to ensure that consturction equipment and generators do not emit excessive black smoke when burning fuel
- Equipment generating excessive black smoke shall be serviced before operating again

Regular monitoring discovers the defects and issues which have an impact on the environment. The ECO conducts toolbox meetings on the need to maintain equipment to prevent air pollution and its effects, as well as to display posters on the effects of exposure to harmful substances and the need to keep containers of chemical and oils closed. The ECO also conducts weekly inspections to ensure control and compliance with local environmental standards and regulations. Air monitoring is carried out if there is suspected air pollution or toxication.

In addition to managing emissions, the Group endeavours to mitigate emissions in our daily operations through technology adoption, such as converting diesel engines to run on electricity, methanol, liquid petroleum gas ("LPG") or pneumatic power to minimize air pollution.

See below for the total CO_2 emissions and intensity ratio of the 5 completed construction projects.

Total CO_2 Emissions (kg)	Emissions Intensity Ratio (kg/m^2)
4,183,121.5	23.5

Water and Effluents Management

GRI 303-1, 303-3, 306-1, 307-1

There is no issue in sourcing water that is fit for purpose. Our Resource Conservation Program minimises water wastage with water conservation measures such as installing water-saving devises and recycling equipment, as well as implementing water conservation guidelines to ensure efficient water usage. We use recycled water and rainwater to wash equipment onsite, and we check that all taps are turned off tightly and all leakages are attended to immediately.

We implement real time monitoring of the water consumption data to ensure that there is no water wastage in our construction projects. See below for the total water consumption and intensity ratio of the 5 completed construction projects.

Total Water Consumption (m^3)	Water Intensity Ratio (m^3/m^2)
333,056	1.9

Singapore is a country with limited water resources, and it is essential for its water quality to be carefully regulated. To keep Singapore's water clean, soil pollution must also be controlled, as pollutants in the soil can enter the water system as run-off or groundwater.

Water pollutants from construction activities include solid waste, sand, hydrocarbon and solvents, termite control chemicals, acids and alkalis and lead-based paints. These pollutants can cause environmental impacts such as siltation of open drains preventing flow of rainwater to reservoirs, flooding and death of aquatic life.

In an effort to control water pollution, we practise good housekeeping, storage and maintenance measures, and we recycle treated water at all construction projects. Our drainage facilities are designed according to local regulations and regularly cleaned and maintained to ensure that effluents are properly treated before discharging into drains or canals. In addition, we provide training to workers on proper waste management during operations, including maintenance of machinery and equipment, storage of materials and spill control.

The ECO conducts daily visual inspections to check for any evidence of silt contents in the open drain. In compliance with local environmental protection and management regulations on trade effluents, we also monitor trade effluent discharge into watercourse to ensure that Total Suspended Solids ("TSS") does not exceed 50 mg per litre of trade effluent.

Effluents Management

- Silt traps and perimeter cut-off drains designed according to local regulations
- Build silt trap in drain to interrupt the passage of sand particles into public sewers
- Regular cleaning and maintenance of silt traps, concrete lined perimeter cut-off drains, silt fences and other facilities
- Wastewater from temporary structures such as canteen, workers' quarters and toilets should be connected by sewers to approved sewage treatment plants or public sewers
- Design of the sewers must cater for the appropriate number of occupants and duration of construction
- If permanent sewers within the development site is not available, portable toilets and holding tanks with pumping device should be used
- Silt-laden water and mud slurry flow through silt traps, sedimentation tanks or other facilities for removal of silt before discharging into drains and canals
- Runoff at construction sites are effectively drained
- Cement washwater must be treated before entering the drain

Good Housekeeping

- Proper storage of building materials, chemicals and fuels
- Proper maintenance of machinery, equipment and vehicles

Good Storage

- Secondary containment to prevent spillage or leakage from entering land water surgace drains
- Provision of spill control kit, collection sumps and facility for pumping out the spilled contents
- Properly constructed floor to prevent infiltration into the ground
- Provision of proper dust collection devices with water sprays for cement silo to prevent spread of entrained dust
- Sedimentation or filtration of waste waters used to contain cement dust by meanss of silt trap
- Storage on a raised platform to prevent leaching of cement from its packaging
- Fuels and other hydrocarbons such as greases and lubricants should be stored in appropriate containers such as drums, tins with close covers and bunded with kerbs to prevent spillages or leakages from entering the ground or drains
- Shelter/Cover sand heaps with plastic sheet to prevent sand and aggregates from being washed into the drain
- Build sumps for containment of spillage

Good Maintenance

- Carry out maintenance and repair works on machinery, equipment or vehicle at proper facilities
- On-site repair and maintenance is prohibited

Waste Management

GRI 306-2, 307-1

Under current construction conditions, our operations generate large amounts of hazardous and non-hazardous wastes, mainly construction debris such as timber, metal and industrial waste. Consequently, the Group has implemented adequate waste management policies and measures to ensure that reuse and recycling of construction wastes are maximised, and that wastes are properly segregated, stored and disposed at all project sites to reduce the risk of mishandling hazardous waste. Other than focusing on construction waste, we also go the extra mile to recycle site office waste at all construction sites.

Segregation and recycling of waste on site

Waste disposal methods are detailed for each type of waste, and the ECO conducts regular monitoring and inspections to ensure proper execution of waste management at all project sites. Refuse areas must be kept clean and all containers of toxic materials, such as solvent and paint, must be kept closed. Wastes must be segregated as general waste and industrial wastes. Where unacceptable wastes are identified, appropriate mitigation measures are implemented. We strictly comply with local laws and regulations on waste generation in our daily operations.

In order to minimise wastage and reduce load on landfill, we conserve timber, rebar and concrete to ensure effective use of resources. We also have procedures in place to minimise resource wastage in operations that involve excessive consumption. All onsite EHS committees monitor the reduction of waste generated.

Disposal centres and bin areas are effective waste management centres only if workers and contractors utilise them with care. As such, contractors and workers are adequately educated to understand the consequences of improper waste disposal on human health and the environment, and they are given simple instructions on proper disposal methods to ensure the preservation of environmental quality on-site.

Reuse

- Use general waste as the hardcore layer for temporary access road or base materials for backfilling
- Empty diesel containers, classified as toxic industrial wastes, are labelled with hazard warning sign and collected by supplier for re-use

Recycle

- Segregate and forward steel scrap to steel recyclers

Disposal

- Food wastes must be cleared everyday regardless of the quantity of waste
- Food wastes must be tightly bagged and placed in bunded areas with proper collection drains to capture leachate
- Engage licensed general waste collectors for general wastes
- Open burning is prohibited on-site
- Ensure that non-incinerable wastes are disposed at government approved sanitary landfills
- Ensure that incinerable wastes are disposed at government approved incineration plants
- Hazardous waste containers are labelled with hazard warning sign
- Toxic, non-incinerable industrial wastes e.g. paints containing organic solvents, heavy metals or biocides, waste solvents/thinners, waste epoxy, plastic films, PVC cables and pipes are collected by respective subcontractors and toxic industrial waste contractor for proper disposal
- Toxic industrial wastes e.g. are collected by respective subcontractors
- Solvents, paint and fuel containers should be disposed with lid on and in separate refuse bins specifically provided for such wastes

Waste Management

- Monitoring of waste management at all project sites
- Segregation and proper storage of wastes in designated areas
- Storage of construction debris in bulk containers
- Storage of toxic industrial wastes within contained and concrete area
- Proper disposal of construction and food wastes to prevent leaching out during rainfall into the ground and water system
- All vehicles transporting refuse, earth, construction debris or any other load are covered completely and adequately before leaving construction site
- Cement bags once opened must be fully emptied
- Unfinished cement bag should be kept or stored in enclosed shelter or container or cement silos'
- Unwanted or left-over cement should be discarded promptly

We monitor the waste generated to ensure proper waste management in our construction projects. The total waste disposal cost for the 5 completed construction projects amounted to S$433,247.90.

Innovation in Construction

GRI 203-2

In an effort to minimize resource wastage and time delay and maximize the productivity of our projects, we have implemented principles of lean construction through research and development in design and construction. We have adopted various innovations over the years, including having rebar cut-and-bent offsite and a significant increase in the amount of construction that use framework, precast and prefabrication system on site. This effectively saves time and cost, reduces waste, conserves raw materials, improves labour productivity and ensures on-site productivity and quality control.

Save cost

- Use of mast climbing platforms and mobile elevating work platforms ("MEWP") for heavy works which saves cost in erection and mobilisation
- Use of concrete pumps which saves time and labour in our construction projects
- Use of unitised curtain wall to reduce cleaning bills of building facad

Ensure workplace safety

- Use of mast climbing platforms and mobile elevating work platforms ("MEWP") for heavy works which reduce the risk of fall from height for our workers due to their sturdiness
- Use of Statnamic loat test to reduce the amount of working at height

Improve productivity

- Use of panel wall system and dry wall system instead of brick walls to reduce masonry work
- Use of siphonic roof drainage for better performance
- Use of Statnamic load test to improve productivity
- Use of Building Information Modelling ("BIM") to reduce abortive works
- Use of Biometric Attendance System ("BAS") for attendance taking
- Use of light weight glass fibre reinforcement concrete for building facade for easy transport, assembly and installation

Reduce waste

- Use of precast system to reduce concrete waste

Sustainable Materials

GRI 301-2

In an effort to conserve the amount of raw materials used in our construction projects, we use recycled and sustainable materials for site applications during construction stage, such as reusing concrete waste to repair drain damage and make curbs.

In addition, our Resource Conservation Program requires proper estimation and planning of the amount of materials needed for each project before ordering. We ensure that raw materials are reused and recycled wherever possible, and we store our raw materials properly to ensure durability and avoid damage. We monitor the use of raw materials and analyse the data to establish trends and any abnormalities so as to mitigate the risk of resource wastage by implementing corrective measures in a timely manner.

Conservation of timber

- Estimate timber use (e.g. size, length and quantity) for the project
- Estimate number of cycles that the timber planks can be used
- Ensure that timber from one process is forwarded to another process for reuse
- Store timber in area where it is not exposed to extreme weather to ensure durability
- Segregate reusable timber from waste timber
- Educate employees on the use and recycling of timber
- Reuse timber to construct tables and benches for workers at resting area and dormitory

Conservation of reinforcement bar

- Fabricate re-bar according to planned bar schedule
- Reuse re-bar for other purposes at project site e.g. barricades, formwork support
- Usage of re-bar shall not exceed estimated quantity, thus enforcing the need for efficient use of re-bar

Conservation of tiles

- Provide proper storage and handling to avoice breakage

Conservation of concrete

- Usage of concrete shall not exceed the estimated quantity, thus enforcing the need for efficient use of concrete
- Reuse concrete wastes as the hardcore layer in road formation
- Any excess concrete shall be used to construct other facilities e.g. to improve temporary access, to make concrete stump for hoarding support

Sustainable Supply Chain

GRI 308-1, 308-2, 414-1, 414-2

We have implemented supplier selection measures to ensure that our suppliers are committed to implementing environmental control and meeting environmental regulations. In order to select suppliers who operate in an environmentally responsible manner, we screen new suppliers based on environmental criteria, such as green certificates for their products and services and their green practices.


GreenLabel SINGAPORE

The Singapore Green Labelling Scheme Secretariat hereby grant

Elmich Pte Ltd

15 Joan Road, Singapore 298899

the right to use the Singapore Green Label for

EVALON EVA/PVC TERPOLYMER ROOFING MEMBRANE
042-019-1269
"Environmentally Preferred Laminate"

Validity: 1 January 2018 to 31 December 2018

LAM JOON KHOI
EXCO Chairman
Singapore Environment Council

Singapore Environment Council


GreenLabel SINGAPORE

The Singapore Green Labelling Scheme Secretariat hereby grant

Suzhou Tuntex Fiber & Carpet Co.,Ltd

No.28 Chengxi South Road, Taicang, Jiangsu 215400, China

the right to use the Singapore Green Label for

TUNTEX NYLON CARPET TILES
039-028-2607
"Environmentally Preferred Carpet"

Validity: 15 March 2017 to 14 March 2018

LAM JOON KHOI
EXCO Chairman
Singapore Environment Council

Singapore Environment Council


GreenLabel SINGAPORE

The Singapore Green Labelling Scheme Secretariat hereby grant

Framework Materials Pte Ltd

2 Aljunied Avenue 1, Singapore 389977

the right to use the Singapore Green Label for

FUJIBOARD
022-108-2364
"Eco-Friendly Building Material"

Validity: 12 June 2018 to 11 June 2019

LAM JOON KHOI
EXCO Chairman
Singapore Environment Council

Singapore Environment Council

In addition, we evaluate suppliers based on their gracious practices to ensure that they implement best practices in mitigating possible inconveniences to the public caused by construction work.

We evaluate our existing suppliers every year, and we conduct physical inspections at the supplier's office to ensure the brand and quality of the products and services.

In FY2019, there was no negative environmental and social impact in our supply chain.

CARING FOR OUR PEOPLE

At HPC, we take responsibility for the health and wellbeing of our employees, and we endeavour to develop their careers and skillsets as much as possible. We implement adequate safety policies and measures to ensure the safety of our staff and workers on site, and we endeavour to achieve zero safety incidents in our operations. Our policies and operations are in strict compliance with local labour regulations.

Occupational Health and Safety

GRI 403-2

HPC is committed to protect the health and safety of our employees and workers. Our safety practices include:

- Conducting risk assessments to identify hazards and implement effective risk control measures, including halting work to ensure that risks identified are minimized or mitigated
- Ensuring a safe work environment
- Adequate implementation of safety measures in the use of any machinery, equipment, plant, article or process at the workplace
- Developing and implementing emergency response plans
- Ensuring workers are provided with sufficient instructions, training and supervision so that they can work safely

The Group also encourages and incentivises employees to engage in safe practices by presenting safety awards to employees who diligently observe safety measures.

There were 6 reported workplace incidents and 82 man-days lost in FY2019. Our Accident Frequency Rate ("AFR") was 3.6 and Accident Severity Rate ("ASR") was 49.2. Our ASR is significantly lower than the industry average of 61, and we will strive to reduce our AFR to fall within the industrial average of 1.5.

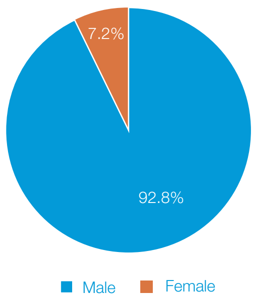
The Group operates in strict compliance with workplace safety laws and regulations and we take careful measures to ensure that all employees are protected from occupational hazards.

Our Workforce

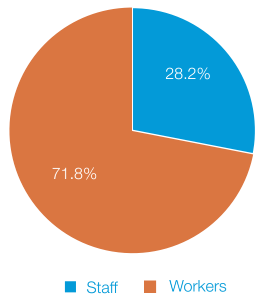
GRI 405-1

At HPC, we believe in working in a diverse and harmonious environment in ensuring constant progress towards achieving our corporate goal of delivering the best services in terms of cost, quality and products to our customers. At present, the construction industry is still largely male-dominated; we will continue to strive for gender diversity and increase the female-to-male ratio in our workforce. Our total staff strength stood at 999 in FY2019.

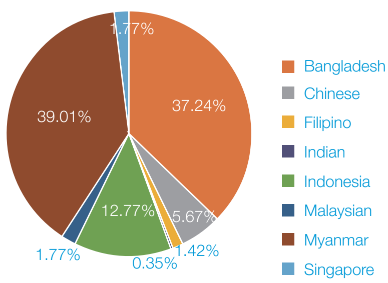
Our Workforce by Gender



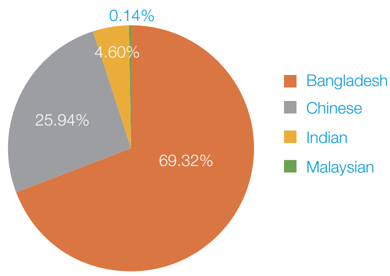
Our Workforce by Employment Type



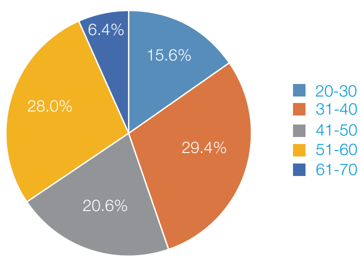
Our staff by Nationality



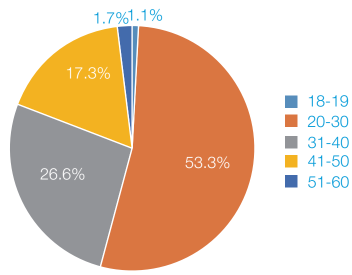
Our Workers by Nationality



Our Staff by Age Group



Our Workers by Age Group



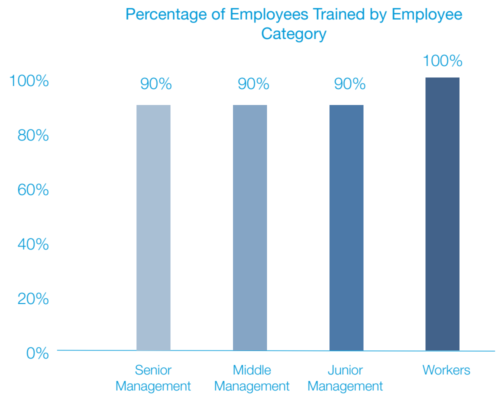
Employee Retention

GRI 401-2, 401-3, 404-2, 404-3, 405-2

HPC's philosophy is to develop a stable working environment where employees can develop and diversify their skillsets to improve their job performance and productivity. We implement adequate staff welfare policies and trainings to ensure the well-being and development of our workforce.

At HPC, we embrace diversity and give everyone equal opportunities to excel and develop their careers. We recruit employees based on their qualifications and whether they satisfy our requirements for the position, and we do not discriminate.

In order to promote a strong performance culture in the Group, we conduct regular performance appraisals for our employees on a regular basis and all employees are given equal opportunities for promotions depending on their job performance.



The Group is committed to be an employer of choice. We strive to help our employees reach their fullest potential and achieve excellence in their development. We aim to create a culture of continuous learning where employees take personal responsibility for their own development. We recognise the need to develop our people so that they are fully equipped to deliver our business objectives. All employees are given equal opportunities and we provide them with financial support and guidance for career development.

Regular employee development review enables us to align the career interests of employees with the Group's performance and to retain talent. We ensure that employees are equipped with the technical skills required to do their jobs proficiently and achieve their work objectives. We also prepare our staff to be equipped to manage any role or organisational changes in the Group.

Staff Training

Our training and development curriculum comprises any activity that is designed to help individuals improve and refine their knowledge and skills to become more effective at their jobs. This includes active involvement in various projects, attending training courses, conferences and seminars, work shadowing, formal study, coaching and mentoring.

The benefits that we endeavour to achieve through effective training and development include:

- Higher standards of work performance
- Exchange of ideas and disseminate good practice
- Effective management and implementation of change
- Encouragement of team spirit
- Increase motivation and job satisfaction
- Greater understanding of the Group's business.

The Group regularly monitors the training and development activities, and we review our support framework to continually improve our training and development policies. We are pleased to report that we had high participation rates for training programs in FY2018, and our training policy is inclusive and equal for both genders, as evidenced by 80% of male employees and 100% of female employees who went through training in FY2018. Employees are also entitled to examination leave to encourage them to upgrade their knowledge and skillsets.

HPC is also committed to our employees' physical and mental health and well-being. All full-time employees are entitled to medical benefits as well as employee wellness programs that promote teamwork, interactions and good health among employees. In compliance with local labour regulations, parents of children who are Singapore citizens are entitled to 16 weeks of parental leave under the Child Development Co-Savings Act ("CDCS Act").

Employees' regular working hours and rest periods are set out in their respective employment letter, and we reserve the right to revise or extend the stipulated working hours, which are arranged to ensure maximum efficiency of operations and work-life balance among employees. In return for their contributions, we offer employees competitive and fair remuneration packages that commensurate with their experience, performance and job responsibilities. All employees are remunerated fairly, regardless of gender, age or nationality. As of FY2019, the ratio of estimated women-to-men remuneration is 0.91:1, and we will continue to strive for equal remuneration for women and men.

We do not dismiss our employees unnecessarily or unfairly, unless an employee fails to comply with our company policies and has committed an act of misconduct where, after serious consideration, termination is the disciplinary action. In compliance with local labour regulations, employees who have worked for three years and above are entitled to three months' salary in the event of retrenchment.

Social Compliance

GRI 406-1, 408-1, 409-1, 419-1

At HPC, we strictly comply with all labour and socioeconomic regulations. We do not discriminate on the basis of gender, ethnicity, nationality, age, religious belief, disability or marital status. In FY2019, there was no incident of discrimination at HPC.

To ensure strict compliance with local employment laws, we implement access controls at our sites and offices to prevent illegal workers from entering or working at our sites and offices. We also monitor the presence of illegal workers on sites by conducting random checks. The Group ensures that all employees have the necessary visas, work permits, specific registrations, licenses and qualifications before they perform the duties assigned to them.

In compliance with labour laws and regulations, the Group does not employ minors or offer apprenticeship. There was no incident of child and forced labour in FY2019.

CARING FOR OUR COMMUNITY

At HPC, we are committed to doing our part for the community. Given the nature of our business, we are aware of the social impacts of our operations, and we strive to minimise any inconvenience or negative impacts on the community. We strictly comply with local regulations on noise and vector control, and we actively engage with the community and make regular contributions to improve the wellbeing of our local community.

Community Engagement

GRI 413-1

The objective of HPC's Corporate Social Responsibility ("CSR") is to demonstrate our commitment to social values on a group level. Our CSR activities are categorised as follows:

- Philanthropy (charitable and workplace giving programs);
- Sustainability (positive impact on the environment); and
- Governance (regulatory, legal and ethical operations).

The Group endeavours to give back to the community whenever opportunity arises, and we integrate community service into our CSR. Our community service projects in FY2019 included staff volunteers organising a party at Wishing Well for children from lower income families, where they brought food, entertainment and joy to the children.

Staff volunteers organised party at Wishing Well for children from lower income families

In an effort to play our part in keeping the environment clean and green, we visited Lions home for the Elderly and Mount Faber in the previous years to perform clean-ups.

Community Service at Lions Home for the Elderly

Clean-up at Mount Faber

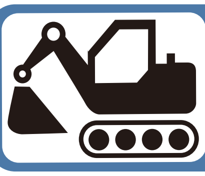
We have plans to visit the less-developed countries to improve living conditions for the people. In addition, we have internship and scholarship programmes in the pipeline to benefit the community.

Noise Management

GRI 413-2

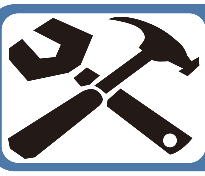
The Group implements proper noise pollution control measures to ensure that workers and residents living in the vicinity of the construction sites are not unduly affected by noise pollution. All noise and vibration related impacts on surrounding occupants must be assessed and have mitigation measures put in place where required. In addition, we ensure that all plants and equipment strictly comply with regulatory requirements and are serviced regularly to ensure that the noise generated is within standard.

The ECO ensures that noise generated during construction activities are within the permissible limits specified in the Environmental Pollution Control (Control of Noise at Construction Sites) Regulations, and the frequency of noise monitoring complies with local legal requirements. In the event that local authorities require us to monitor the noise level at any point source, we will strictly comply, monitor closely and maintain proper records.



Quieter Equipment or Mechanical Plant

- Select equipment, mechanical plants or machineries that emit less noise
- Use of generator should be minimised
- Use mufflers or exhause silencers to reduce exhaust noise

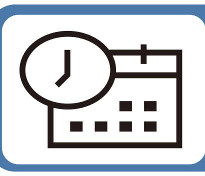


Regular maintenance of Mechanical Plant and Vehicles

- Carry out periodic preventive maintenance and service of construction equipment, mechanical plant and vehicles
- Take machines/equipment for servicing whenever there is abnormal noise emitting from the machine/equipment

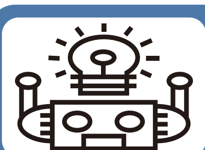
Noise Barriers

- Where possible, enclose noisy machines in acoustical enclosures lined with sound absorbent materials
- Erect barriers around the site to prevent noise transmission
- Where possible, place site facilities such as vehicular wash-bays, concrete vatching plants away from residential buildings



Scheduling of Noisy Activities

- Schedule noissy activities sequentially to avoid excessive noise
- Ensure that noisy activities such as piling, demolition or concreting are carried out in the day as much as possible



Other Measures

- Use precast concrete elements as it minimsies both in-situ concreting and noise generation
- Educate employees of the consequences of noise generation and methods for noise reduction
- Keep residents informed of any operations generating excessive noise levels

If noise levels exceed compliance levels, ECO will recommend remedial measures for immediate implementation to keep the noise level under control.

Vector Management

GRI 413-2

We implement vector control plans at every project site to prevent breeding of disease-bearing insects so as to protect workers and residents in the vicinity from harmful diseases. The ECO conducts weekly inspections to monitor the vector situation and ensure that our vector control procedures are complied with at all project sites. Our vector control measures and implementation are in compliance with local environmental regulations.

Where to control	When to control	What to control	How to control
• Potential breeding grounds and habitats are high vector density areas such as worker quarters, site offices, washing area, storage area, buildings under construction	• Frequency of vector control has to be established based on site observations and peak desntiy periods	• Potential breeding grounds and habitats for mosquitoes, flies and rodents	• Deploy oiling team and housekeep team for site maintenance • Implement environmental control, chemical control and rodent control

The ECO also oversees the work of the pest control operator ("PCO") and verifies that the PCO is certified and licensed. This strengthens the degree of compliance and accountability in the vector management at our project sites.

HKEX ESG REPORTING GUIDE CONTENT INDEX

This Content Index includes references to Key Performance Indicators of the HKEX ESG Reporting Guide.

Subject Areas, Aspects, General Disclosures and KPIs		Section Reference
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Sustainable Built Environment
A1.1	Types of emissions and respective emissions data	Emissions Management
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Emissions Management
A1.3	Total hazardous waste produced and, where appropriate, intensity	Not available to the Group's business
A1.4	Total non-hazardous waste produced and, where appropriate, intensity	Waste Management
A1.5	Description of measures to mitigate emissions and results achieved	Emissions Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Waste Management

Subject Areas, Aspects, General Disclosures and KPIs		Section Reference
A. Environmental		
Aspect A2: Use of Resources		
General disclosure	Policies on efficient use of resources including energy, water and other raw materials	Sustainable Built Environment
A2.1	Direct and/or indirect energy consumption by type in total and intensity	Energy Conservation
A2.2	Water consumption in total and intensity	Water and Effluents Management
A2.3	Description of energy use efficiency initiatives and results achieved	Energy Conservation
A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	Water and Effluents Management
A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	Not available to the Group's business
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Sustainable Construction, Sustainable Materials
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Sustainable Construction, Sustainable Materials
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significan t impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employee Retention
B1.1	Total workforce by gender, employment type, age group and geographical region	Our Workforce
B1.2	Employee turnover rate by gender, age group and geographical region	Employee Retention
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Occupational Health and Safety
B2.1	Number and rate of work-related fatalities	Occupational Health and Safety
B2.2	Lost days due to work injury	Occupational Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Occupational Health and Safety

Subject Areas, Aspects, General Disclosures and KPIs		Section Reference
B. Social		
Aspect B3: Development and Testing		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employee Retention
B3.1	The percentage of employees trained by gender and employee category	Employee Retention
B3.2	The average training hours completed per employee by gender and employee category	Employee Retention
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Social Compliance
B4.1	Description of measures to review employment practices to avoid child and forced labour	Social Compliance
B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	Social Compliance
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Environmentally Sustainable Supply Chain Socially Sustainable Supply Chain
B5.1	Number of suppliers by geographical region	About HPC
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Environmentally Sustainable Supply Chain
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	User Safety
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not available to the Group's business
B6.2	Number of products and service related complaints received and how they are dealt with	User Safety
B6.3	Description of practices relating to observing and protecting intellectual property rights	Not available to the Group's business
B6.4	Description of quality assurance process and recall procedures	Not available to the Group's business
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Not available to the Group's business

Subject Areas, Aspects, General Disclosures and KPIs		Section Reference
B. Social		
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Ethics and Integrity
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-Corruption
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Whistle-Blowing
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community Engagement
B8.1	Focus areas of contribution	Community Engagement
B8.2	Resources contributed to the focus areas	Community Engagement

GRI CONTENT INDEX

GRI Standards	Disclosure Content	Section Reference
102-1	Name of the organisation	Organisation Profile
102-2	Activities, brands, products, and services	Organisation Profile
102-3	Location of headquarters	Organisation Profile
102-4	Location of operations	Organisation Profile
102-5	Ownership and legal form	Organisation Profile
102-6	Markets served	Organisation Profile
102-7	Scale of the organisation	Organisation Profile, Our Workforce
102-8	Information on employees and other workers	Our Workforce
102-9	Supply chain	Sustainable Supply Chain
102-11	Precautionary Principle or approach	Corporate Governance Statement in FY2018 Annual Report
102-14	Statement from senior decision-maker	Chairman's Message
102-15	Key impacts, risks, and opportunities	Stakeholder Engagement
102-16	Values, principles, standards, and norms of behaviour	Ethics and Integrity
102-17	Mechanisms for advice and concerns about ethics	Ethics and Integrity

GRI Standards	Disclosure Content	Section Reference
102-18	Governance structure	Governance and Statement of the Board
102-40	List of stakeholder groups	Stakeholder Engagement
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement
102-46	Defining report content and topic boundaries	Reporting Practice
201-1	Direct economic value generated and distributed	FY2018 Annual Report
203-2	Significant indirect economic impacts	Innovation in Construction
205-1	Operations assessed for risks related to corruption	Anti-corruption
205-2	Communication and training on anti-corruption policies and procedures	Anti-corruption
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption
301-2	Recycled input materials used	Sustainable Materials
302-1	Energy consumption within the organization	Energy Conservation
302-3	Energy intensity	Energy Conservation
302-4	Reduction of energy consumption	Energy Conservation
303-1	Water withdrawal by source	Water and Effluents Management
303-3	Water recycled and reused	Water and Effluents Management
305-2	Energy indirect (Scope 2) GHG emissions	Emissions Management
305-4	GHG emissions intensity	Emissions Management
305-5	Reduction of GHG emissions	Emissions Management
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Emissions Management
306-1	Water discharge by quality and destination	Water and Effluents Management
306-2	Waste by type and disposal method	Waste Management
307-1	Non-compliance with environmental laws and regulations	Energy Conservation, Emissions Management, Water and Effluents Management, Waste Management
308-1	New suppliers that were screened using environmental criteria	Sustainable Supply Chain

GRI Standards	Disclosure Content	Section Reference
308-2	Negative environmental impacts in the supply chain and actions taken	Sustainable Supply Chain
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Retention
401-3	Parental leave	Employee Retention
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety
404-2	Programs for upgrading employee skills and transition assistance programs	Employee Retention
404-3	Percentage of employees receiving regular performance and career development reviews	Employee Retention
405-1	Diversity of governance bodies and employees	Our Workforce
405-2	Ratio of basic salary and remuneration of women to men	Employee Retention
406-1	Incidents of discrimination and corrective actions taken	Social Compliance
408-1	Operations and suppliers at significant risk for incidents of child labor	Social Compliance
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Social Compliance
413-1	Operations with local community engagement, impact assessments, and development programs	Community Engagement
413-2	Operations with significant actual and potential negative impacts on local communities	Noise Management, Vector Management
414-1	New suppliers that were screened using social criteria	Sustainable Supply Chain
414-2	Negative social impacts in the supply chain and actions taken	Sustainable Supply Chain
416-1	Assessment of the health and safety impacts of product and service categories	User Safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	User Safety
419-1	Non-compliance with laws and regulations in the social and economic area	Social Compliance

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of HPC Holdings Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated balance sheet as at 31 October 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB) 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Accounting for construction contracts

During the financial year ended 31 October 2019, revenue from construction contracts amounted to S$215,498,000 and it represented 100% of the Group's total revenue. The Group accounts for construction contract revenue and contract costs over time by reference to the Group's progress toward completing the contract. The measure of progress is based on costs incurred to date as a proportion of estimated total construction contract costs. Significant judgement is required to estimate total construction contract costs and costs to complete that will affect the measure of progress, revenue and profit margin recognised from construction contracts. Accordingly, we determined the accounting for construction contracts as a key audit matter.

As part of our audit procedures, we reviewed contractual terms for major contracts with customers and substantiated contract revenues and costs incurred against underlying supporting documents on a sampling basis. We also assessed management's contract costs estimation process. We further perused customers and subcontractor correspondences and discussed the progress of the projects with project managers for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated contract costs. For revisions made to budgeted costs, we discussed with project personnel and management on the rationale for such changes and checked the revision of the budgeted costs to supporting documentation. We checked the mathematical accuracy of the revenue recognised based on the input method calculations. We also compared percentage of completion used in the input method calculations to quantity surveyor certificate received from customer for each project and investigated material differences. For projects which are expected to be loss-making, we reviewed management's assessment and assessed the reasonableness of the provision for onerous contracts provided by management. Information regarding the Group's construction contract revenue and contract assets and contract liabilities is disclosed in Notes 5 and 17 to the financial statements.

Impairment assessment of trade receivables and contract assets

The Group's gross trade receivables and contract assets amounted to S$60,008,000 and S$45,417,000 respectively as at 31 October 2019, against which an allowance for expected credit loss ("ECL") and impairment of S$600,000 was made against trade receivables.

The Group determines ECL and impairment of trade receivables and contract assets by making debtor specific assessment of expected credit impairment loss for long overdue trade receivables and using a provision matrix for remaining trade receivables and contract assets that is based on historical credit loss experience, adjusted for current and forward-looking factors specific to the debtors and economic environment. These assessments involved significant management judgement and accordingly, we determined this as a key audit matter.

We requested confirmation for material trade receivable balances and looked for evidence of subsequent collections. For material contract assets balance, we reviewed subsequent billings, quantity surveyor certificate received from customers and subsequent collection of the receivables. We obtained an understanding of management's controls and processes in assessing impairment of trade receivables and contract assets. We assessed management's assumptions used to determine expected impairment loss for long overdue trade receivables, notably through analyses of ageing of receivables and consideration of their specific profiles and risks. We also evaluated management's assumptions and inputs used in the computation of historical credit loss rates, and reviewed data and information used by management in determining forward-looking adjustments. We also checked the arithmetic accuracy of the ECL allowance computation. We assessed the adequacy of the disclosures on the Group's trade receivables, contract assets and its credit risk management process in Notes 15, 17, and 30 to the financial statements.

OTHER MATTER

The consolidated financial statements of HPC Holdings Limited for the year ended 31 October 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 28 January 2019.

OTHER INFORMATION

The directors of the Company are responsible for other information. The other information comprises the information included in the annual report, but does not include 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 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the IFRSs approved by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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 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. Our report is made 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.

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 director's 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 Lee Wei Hock.

Ernst & Young LLP
Public Accountants and Chartered Accountants

Singapore
30 January 2020

Consolidated Statement of Comprehensive Income

	Note	For the financial year ended 31 October 2019 S$'000	2018 S$'000
Revenue	5	**215,498**	228,630
Cost of sales		**(189,538)**	(203,972)
Gross profit		**25,960**	24,658
Other operating income	6	**817**	558
Administrative expenses		**(8,388)**	(8,081)
Impairment losses on financial assets – trade receivables		**–**	(600)
Other (loss)/income	6	**(71)**	474
Finance income	7	**103**	75
Finance costs	7	**(14)**	(7)
Profit before tax	8	**18,407**	16,677
Income tax expense	10	**(3,583)**	(2,962)
Profit for the year, representing total comprehensive income for the year		**14,824**	13,715
Total comprehensive income attributable to:			
Owners of the Company		**14,862**	13,715
Non-controlling interests		**(38)**	–
		14,824	13,715
Earnings per share attributable to owners of the Company			
– Basic (S cents)	11	**0.9**	1.0
– Diluted (S cents)	11	**0.9**	1.0

Consolidated Balance Sheet

	Note	Group As at 31 October 2019 S$'000	 2018 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**16,905**	4,794
Intangible assets	13	**–**	–
Investment properties	14	**5,397**	2,584
Trade receivables	15	**–**	5,653
Deferred tax assets	10	**60**	106
		22,362	13,137
Current assets			
Trade receivables	15	**59,408**	60,283
Other receivables, deposits and prepayment	16	**2,005**	2,994
Contract assets	17	**45,417**	–
Amount due from customers for contract works	18	**–**	38,875
Cash and cash equivalents	19	**31,186**	23,711
		138,016	125,863
Total assets		**160,378**	139,000
EQUITY AND LIABILITIES			
Current liabilities			
Trade and retention payables	20	**34,090**	29,912
Other payables and accruals	20	**5,916**	4,172
Provisions	21	**39**	–
Contract liabilities	17	**7,798**	–
Amount due to customers for contract works	18	**–**	20,104
Finance lease liabilities	26	**100**	32
Borrowings	22	**720**	–
Current income tax payable		**3,434**	2,444
		52,097	56,664
Net current assets		**85,919**	69,199

	Note	Group As at 31 October 2019 S$'000	2018 S$'000
Non-current liabilities			
Retention payables	20	**1,506**	2,698
Other payables	20	**2,058**	–
Finance lease liabilities	26	**516**	41
Borrowings	22	**9,780**	–
		13,860	2,739
Total liabilities		**65,957**	59,403
Equity attributable to owners of the Company			
Share capital	24	**2,725**	2,725
Share premium	24	**69,777**	69,777
Capital reserves	25	**(26,972)**	(26,972)
Retained profits		**48,439**	33,577
		93,969	79,107
Non-controlling interests		**452**	490
Total equity		**94,421**	79,597
Total equity and liabilities		**160,378**	139,000

	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
Group							
At 1 November 2017	2	45,721	(26,972)	43,712	62,463	–	62,463
Profit for the year, representing total comprehensive income for the year	–	–	–	13,715	13,715	–	13,715
Contributions by and distributions to owners							
Contribution from non-controlling interests	–	–	–	–	–	490	490
Dividends (Note 27)	–	–	–	(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 in their capacity as owners	2,723	24,056	–	(23,850)	2,929	490	3,419
At 31 October 2018	2,725	69,777	(26,972)	33,577	79,107	490	79,597
Group							
At 1 November 2018	**2,725**	**69,777**	**(26,972)**	**33,577**	**79,107**	**490**	**79,597**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**14,862**	**14,862**	**(38)**	**14,824**
At 31 October 2019	**2,725**	**69,777**	**(26,972)**	**48,439**	**93,969**	**452**	**94,421**

Consolidated Statement of Cash Flows

	For the financial year ended 31 October	
	2019	2018
	S$'000	S$'000
Cash flows from operating activities		
Profit before tax	**18,407**	16,677
Adjustments for:		
Amortisation of intangible assets	**–**	2,204
Depreciation of property, plant and equipment	**596**	611
Depreciation of investment properties	**193**	91
Finance income	**(103)**	(75)
Finance expense	**14**	7
Loss/(gain) on disposal of property, plant and equipment	**10**	(12)
Net unrealised foreign exchange loss/(gain)	**61**	(462)
Impairment loss on financial assets – trade receivables	**–**	600
Write off/(back) of trade receivables	**43**	(161)
Operating cash flows before changes in working capital	**19,221**	19,480
Changes in working capital:		
– Decrease/(increase) in trade receivables	**6,485**	(5,131)
– Decrease/(increase) in other receivables, deposits and prepayments	**989**	(2,017)
– Increase in contract assets	**(18,848)**	(9,932)
– Increase/(decrease) in trade and retention payables	**2,986**	(1,909)
– Increase in other payables and accruals	**1,783**	381
Cash generated from operations	**12,616**	872
Interest received	**103**	75
Interest paid	**(14)**	–
Income tax paid	**(2,547)**	(8,109)
Net cash generated from/(used in) operating activities	**10,158**	(7,162)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**55**	26
Purchase of property, plant and equipment	**(15,144)**	(756)
Net cash used in investing activities	**(15,089)**	(730)

	For the financial year ended 31 October	
	2019	2018
	S$'000	S$'000
Cash flows from financing activities		
Dividends paid	**–**	(23,850)
Proceeds from issuance of shares	**–**	30,777
Transaction costs attributable to issuance of shares	**–**	(3,998)
Contribution from non-controlling interests	**–**	490
Amount due to non-controlling shareholders	**2,058**	–
Repayment of finance lease liabilities	**(91)**	(70)
Proceeds from bank borrowings	**10,800**	–
Repayment of bank borrowings	**(300)**	–
Net cash generated from financing activities	**12,467**	3,349
Net increase/(decrease) in cash and cash equivalents	**7,536**	(4,543)
Effect of exchange rate changes on cash and cash equivalents	**(61)**	462
Cash and cash equivalents at 1 November	**23,711**	27,792
Cash and cash equivalents at 31 October	**31,186**	23,711

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

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 Island and is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Block 165, Bukit Merah Central, #08-3687, Singapore 150165.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 23 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below. The financial statements are presented in the Company's functional currency, Singapore Dollars (SGD or S$), and all values are rounded to the nearest thousand (S$'000), except when otherwise indicated.

2.2 New accounting standards effective on 1 November 2018

The accounting policies adopted are consistent with those of the previous financial year, except that in the current year the Group has adopted all the new and revised standards that are effective for annual financial period beginning on or after 1 November 2018. Except for the adoption of IFRS 9 and IFRS 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

The Group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on 1 November 2018. The nature of the changes in these financial reporting standards are described below:

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classification and measurement of financial assets and impairment of financial assets. The Group applied IFRS 9 retrospectively, with an initial application date of 1 November 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39 *Financial Instruments: Recognition and Measurement* and the disclosure requirements of IFRS 7 *Financial Instruments: Disclosures* relating to items within the scope of IAS 39. The impact arising from the adoption of IFRS 9, if any, are recognised directly in opening retained profits and other components of equity at the date of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New accounting standards effective on 1 November 2018 (Continued)

IFRS 9 Financial Instruments (Continued)

Classification and measurement

Under IFRS 9, debt instruments are measured either at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the entity's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding.

The assessment of business model was made as of the date of initial application, 1 November 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group.

Impairment

IFRS 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

As the Group practices rigorous counterparty selection and monitors closely the credit risks arising from the financial assets as detailed in Note 30, the changes of this standard did not have a material impact on the financial statements for the year ended 31 October 2019.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 November 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts that are not completed as at 1 November 2018.

Any cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening retained profits at the date of initial application. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New accounting standards effective on 1 November 2018 (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

The Group is in the business of civil engineering and general building construction. In prior reporting periods, the Group accounted for revenue from construction 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 the proportion of contract costs incurred for work performed to date to the total estimated contract costs.

Under IFRS 15, revenue from construction 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). As a result, there is no impact to the timing of revenue recognition arising from the adoption of IFRS 15.

The following is the reconciliation of the impact arising from application of IFRS 15 on 1 November 2018 to the balance sheet of the Group.

	31 October 2018 (IAS 11) S$'000	Effects of applying IFRS 15 S$'000	1 November 2018 S$'000
Amount due from customers for contract works	38,875	(38,875)	–
Contract assets	–	38,875	38,875
Amount due to customers for contract works	20,104	(20,104)	–
Contract liabilities	–	20,104	20,104

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to IAS 23 *Borrowing Costs Eligible for Capitalisation*	1 January 2019
Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to IFRS 3: *Definition of a Business*	1 January 2020
Amendments to IAS 1 and IAS 8: *Definition of Material*	1 January 2020

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree, are recognised on the acquisition date at either fair value, or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in a subsidiary not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in SGD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold strata property unit	–	50 years
Leasehold improvements	–	3 years
Computers	–	3 years
Plant and equipment	–	3 years
Furniture and fittings	–	3 years
Motor vehicles	–	3 to 10 years

Assets under construction (i.e. leasehold land and building) are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

2.9 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold strata property unit	–	15 years
Freehold strata property unit	–	50 years

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

Impairment losses are recognised in profit or loss. A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company's investment in subsidiaries are accounted for at cost less accumulated impairment loss.

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, bank deposits and short-term highly liquid investments that are readily convertible to known amount of cash which are subjected to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Provisions (Continued)

Onerous contract

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

2.16 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income is presented as a credit in profit or loss under "Other income".

2.17 Employee benefits

Defined contribution plan

As required by law, the Group makes contributions to the state pension scheme, the Central Provident Fund ("CPF"), in Singapore. CPF contributions are recognised as an expense in the period in which the related service is performed.

2.18 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership be the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (Continued)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Contingent rents are recognised as income in the period in which they are earned.

2.19 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Revenue from construction contracts

The Group is involved in construction projects. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. The asset that is being constructed has no alternative use for the Group due to contractual restrictions and the Group has enforceable rights to payment arising from the contractual terms. The revenue is recognised over time, based on the construction costs incurred to date as a proportion of estimated total construction costs to be incurred.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is based on industry practice to protect the customer from the Group’s failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known to management. The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue (Continued)

(a) Revenue from construction contracts (Continued)

For contract modifications that add distinct goods or services but not at their standalone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and is recognised as a cumulative adjustment to revenue at the date of modification.

For costs incurred in fulfilling the contract which are within the scope of another IFRS (eg. inventories), these have been accounted for in accordance with those other IFRS. If these are not within the scope of another IFRS, the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(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.

2.20 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Taxes (Continued)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Taxes (Continued)

(c) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

– Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of GST included.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.23 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 directors.

2.24 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Construction contracts

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 2019 and 2018 had been higher/lower by 5% from management's estimates, the Group's net profit after tax would have been higher/lower by S$2,716,000 and S$3,409,000 respectively.

If the budgeted contract costs of uncompleted contracts as at 31 October 2019 and 2018 had been higher/lower by 5% from management's estimates, the Group's net profit after tax would have been lower/higher by S$2,648,000 and S$3,346,000 respectively.

Expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions and hence, ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 15 and Note 17.

4. 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 Group is organised into two reportable segments, namely:

(a) General building construction: Relates to the design and build projects of warehouses and other industrial or commercial buildings; and

(b) Civil engineering: Relates to the construction of public infrastructures such as train stations, tunnel, railway and express way.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the Group's executive directors. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within these industries.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. There are no transfers between operating segments included in segment revenue, expenses and results.

Capital expenditure comprises additions to property, plant and equipment and intangible assets. Group financing (including finance costs), income taxes and investment properties are managed on a group basis and are not allocated to operating segments.

4. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Group's executive director for the reportable segments for the year ended 31 October 2019 and 2018 are as follows:

	General building construction S$'000	Civil engineering S$'000	Total S$'000
2019			
Total segment revenue to external customers	**197,058**	**18,440**	**215,498**
Gross profit	**18,887**	**7,073**	**25,960**
Segment assets	**99,645**	**5,180**	**104,825**
Segment liabilities	**42,668**	**2,031**	**44,699**

	General building construction S$'000	Civil engineering S$'000	Total S$'000
2018			
Total segment revenue to external customers	214,303	14,327	228,630
Gross profit	21,258	3,400	24,658
Segment assets	102,099	2,712	104,811
Segment liabilities	51,613	1,101	52,714

4. SEGMENT INFORMATION (CONTINUED)

Reconciliations

(i) ***Segment profits***

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

	2019 S$'000	2018 S$'000
Gross profit for reportable segments	**25,960**	24,658
Other operating income	**817**	558
Other (loss)/income	**(71)**	474
Administrative expenses	**(8,388)**	(9,081)
Finance income	**103**	75
Finance costs	**(14)**	(7)
Profit before income tax	**18,407**	16,677

(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:

	2019 S$'000	2018 S$'000
Segment assets for reportable segments	**104,825**	104,969
Unallocated:		
Property, plant and equipment	**16,905**	4,794
Investment properties	**5,397**	2,584
Deferred income tax assets	**60**	106
Other receivables, deposits and prepayments	**2,005**	2,994
Cash and cash equivalents	**31,186**	23,711
	160,378	139,000

4. 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 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:

	2019 S$'000	2018 S$'000
Segment liabilities for reportable segments	**44,699**	52,714
Unallocated:		
Finance lease liabilities	**616**	73
Other payables and accruals	**6,708**	4,172
Borrowings	**10,500**	–
Current income tax payable	**3,434**	2,444
	65,957	59,403

All of the Group's activities are carried out in Singapore and all of the Group's assets 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:

	2019 S$'000	2018 S$'000
Customer A	**45,852**	44,822
Customer B	**28,263**	42,965
Customer C	**25,776**	40,795
Customer D	**24,602**	35,999

These revenues are attributable to the general building construction segment.

5. REVENUE

	2019 S$'000	2018 S$'000
Revenue from contracts with customers		
Construction contract revenue	**215,498**	228,630

Revenue from contracts with customers are derived from Singapore and are recognised over time.

Disaggregation of revenue

	2019 S$'000	2018 S$'000
By project sector		
Public sector	**28,805**	66,541
Private sector	**186,693**	162,089
	215,498	228,630

6. OTHER OPERATING INCOME AND OTHER (LOSS)/INCOME

	2019 S$'000	2018 S$'000
Government grants*	**200**	77
Sales of scrap materials	**376**	275
Rental income from investment properties	**37**	99
Others	**204**	107
Other operating income	**817**	558
Net foreign exchange (loss)/gain	**(61)**	462
(Loss)/gain on disposal of plant and equipment	**(10)**	12
Other (loss)/income	**(71)**	474

* Government grants were received by certain subsidiaries in connection with employment of Singaporean workers under Special Employment Credit and mechanisation credit given by the Building and Construction Authority. There were no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE INCOME AND COSTS

	2019 S$'000	2018 S$'000
Finance income:		
– Bank interest	**103**	75

	2019 S$'000	2018 S$'000
Finance costs		
Interest expense on:		
– Borrowings	**(152)**	–
– Finance lease liabilities	**(14)**	(7)
	(166)	(7)
Less: interest expense capitalised in property, plant and equipment (Note 12)	**152**	–
Total finance costs	**(14)**	(7)

8. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	2019 S$'000	2018 S$'000
Auditors' remuneration:		
– auditor of the Company	**140**	270
– non-audit services	**–**	20
Employee compensation (Note 9)	**29,050**	27,452
Materials, sub-contractors and other construction costs	**162,247**	177,652
Depreciation of property, plant and equipment	**596**	611
Depreciation of investment properties	**193**	91
Amortisation of intangible assets	**–**	2,204
Operating lease rentals	**179**	124
Entertainment and transportation	**315**	341
Professional fees	**919**	487
Listing expenses	**–**	2,882
Impairment loss on financial assets – trade receivables	**–**	600
Provision for onerous contract	**39**	–
Write off/(back) of trade receivables	**43**	(161)

9. EMPLOYEE COMPENSATION

	2019 S$'000	2018 S$'000
Wages and salaries (including directors' emoluments)	**27,896**	26,385
Defined contribution plans	**1,154**	1,067
	29,050	27,452

Five highest paid individuals

For the years ended 31 October 2019 and 2018, the five individuals whose emoluments were the highest in the Group include 2 directors (2018: 2), whose emoluments are reflected in the analysis in Note 29. The emoluments paid/payable to the remaining individuals, during the years ended 31 October 2019 and 2018 are as follows:

	2019 S$'000	2018 S$'000
Wages and salaries	**550**	526
Bonuses	**244**	331
Defined contribution plans	**51**	48
	845	905

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

	2019	2018
Number of individuals		
Emolument band		
Nil to HK$1,000,000 ($179,333)	**–**	–
HK$1,000,001 ($179,333) to HK$2,000,000 ($358,667)	**3**	2
HK$2,000,001 ($358,667) and above	**–**	1

10. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 October 2019 and 2018 are:

	2019 S$'000	2018 S$'000
Current income tax		
Current year	**3,356**	3,882
Under/(over) provision in respect of previous years	**182**	(414)
Deferred income tax		
Origination and reversal of temporary difference	**(29)**	(506)
Under/(over) provision in respect of previous years	**74**	–
Income tax expense recognised in profit or loss	**3,583**	2,962

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 October 2019 and 2018 is as follows:

	2019 S$'000	2018 S$'000
Profit before tax	**18,407**	16,677
Tax at applicable corporate tax rate of 17% (2018: 17%)	**3,129**	2,835
Adjustments:		
– Non-deductible expenses	**274**	613
– Statutory stepped income exemption	**(52)**	(52)
– Under/(over) provision in respect of previous years	**256**	(414)
– Tax rebate	**(24)**	(20)
Income tax expense recognised in profit or loss	**3,583**	2,962

10. INCOME TAX EXPENSE (CONTINUED)

(c) Deferred tax assets/(liabilities)

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

	2019 S$'000	2018 S$'000
Deferred tax assets	**131**	131
Deferred tax liabilities	**(71)**	(25)
Deferred tax assets, net	**60**	106

Deferred tax assets

	2019 S$'000	2018 S$'000
At beginning of the financial year	**131**	–
Credited to profit or loss	**–**	131
At end of the financial year	**131**	131

The deferred tax assets were recognised on the elimination of unrealised profits from intercompany transactions between subsidiaries.

Deferred tax liabilities

	2019 S$'000	2018 S$'000
At beginning of the financial year	**(25)**	(400)
(Expensed)/credited to profit or loss	**(46)**	375
At end of the financial year	**(71)**	(25)

The deferred tax liabilities were recognised as a result of difference in depreciation for tax purpose (2018: on the intangible assets as a result of the acquisition of DHC Construction Pte. Ltd.)

11. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

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 diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary share.

	2019 **S$'000**	2018 S$'000
Profit for the year attributable to owners of the Company	**14,862**	13,715

	No. of shares	
	2019	2018
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share (in thousands)	**1,600,000**	1,390,685
Basic and diluted earnings per share (S cents)	**0.9**	1.0

12. PROPERTY, PLANT AND EQUIPMENT

	Computers S$'000	Furniture and fittings S$'000	Motor vehicles S$'000	Plant and equipment S$'000	Leasehold improvements S$'000	Freehold strata property unit S$'000	Leasehold land and building under construction S$'000	Total S$'000
Cost:								
At 1 November 2017	625	144	2,171	1,611	25	3,067	–	7,643
Additions	107	19	497	102	31	–	–	756
Disposals	–	–	(131)	–	–	–	–	(131)
At 31 October 2018 and 1 November 2018	732	163	2,537	1,713	56	3,067	–	8,268
Additions	141	13	1,060	248	4	–	14,312	15,778
Disposals	–	–	(92)	(80)	–	–	–	(172)
Transfer to investment property (Note 14)	–	–	–	–	–	(3,067)	–	(3,067)
At 31 October 2019	**873**	**176**	**3,505**	**1,881**	**60**	**–**	**14,312**	**20,807**
Accumulated depreciation:								
At 1 November 2017	482	98	963	1,412	25	–	–	2,980
Depreciation for the year	112	24	261	143	10	61	–	611
Disposals	–	–	(117)	–	–	–	–	(117)
At 31 October 2018 and 1 November 2018	594	122	1,107	1,555	35	61	–	3,474
Depreciation for the year	94	27	343	122	10	–	–	596
Transfer to investment property (Note 14)	–	–	–	–	–	(61)	–	(61)
Disposals	–	–	(27)	(80)	–	–	–	(107)
At 31 October 2019	**688**	**149**	**1,423**	**1,597**	**45**	**–**	**–**	**3,902**
Net carrying amount:								
At 31 October 2018	138	41	1,430	158	21	3,006	–	4,794
At 31 October 2019	**185**	**27**	**2,082**	**284**	**15**	**–**	**14,312**	**16,905**

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capitalisation of borrowing costs

The Group's leasehold land and building include borrowing costs arising from bank loan borrowed specifically for the purpose of the construction of the leasehold building. During the financial year, the borrowing costs capitalised as cost of leasehold land and building amounted to S$152,000 (2018: Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.95% (2018: Nil) per annum, which is the effective interest rate of the specific borrowing (Note 22).

Assets held under finance lease

During the financial year, the Group acquired motor vehicles with an aggregate cost of S$634,000 (2018: $Nil) by means of finance lease. The cash outflow on acquisition of property, plant and equipment in 2019 amounted to S$15,144,000 (2018: S$756,000).

The carrying amounts of the motor vehicles held under finance leases were S$1,073,000 and S$553,000 as at 31 October 2019 and 2018 respectively.

Assets pledged as security

The Group's leasehold land and building with a carrying amount of S$14,312,000 (2018: Nil) are mortgaged to secure the Group's bank loan (Note 22).

Transfer to investment property

During 2019, the Group transferred the freehold strata property unit with a carrying value of S$3,006,000 to investment property due to a change in use of the property. The property was rented to a third party instead of for own use as office space.

13. 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:

	2019 **S$'000**	2018 S$'000
At beginning of financial year	**–**	2,204
Amortisation (Note 8)	**–**	(2,204)
At end of financial year	**–**	–

14. INVESTMENT PROPERTIES

	Freehold strata property unit S$'000	Leasehold strata property unit S$'000	Total S$'000
Cost:			
At 1 November 2017, 31 October 2018 and 1 November 2018	–	2,751	2,751
Transfer from property, plant and equipment (Note 12)	3,067	–	3,067
At 31 October 2019	**3,067**	**2,751**	**5,818**
Accumulated depreciation:			
At 1 November 2017	–	76	76
Depreciation of the year	–	91	91
At 31 October 2018 and 1 November 2018	–	167	167
Transfer from property, plant and equipment (Note 12)	61	–	61
Depreciation for the year	61	132	193
At 31 October 2019	**122**	**299**	**421**
Net carrying amount:			
At 31 October 2018	–	2,584	2,584
At 31 October 2019	**2,945**	**2,452**	**5,397**

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

Location	Description/existing use	Tenure
#01-08, Loyang Enterprise Building Singapore	Industrial unit	26 years
211 Henderson Road, #02-01	Industrial unit	Freehold

	2019 S$'000	2018 S$'000
Rental income from investment properties	**37**	99

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

14. INVESTMENT PROPERTIES (CONTINUED)

Investment properties are carried at cost less accumulated depreciation and accumulated impairment losses. Valuation is made annually for impairment assessment purposes based on each property's highest-and-best use using the direct comparative approach. The fair value of the investment properties as at the balance sheet date as determined by the independent professional valuer, are as follows:

	2019 S$'000	2018 S$'000
#01-08, Loyang Enterprise Building Singapore	**2,600**	2,600
211 Henderson Road, #02-01	**3,400**	–

The fair values of the investment properties are determined by independent professional valuer, A Star Valuer Pte Ltd. The valuation is based on direct comparative approach, which involve certain estimates.

This valuation methods take into consideration significant inputs such as recent sales of comparable properties in the vicinity, floor area, floor level, tenure and prevailing market conditions. In arriving at the estimates of market value, the valuers have used their market knowledge and professional judgment and not only relied on historical transactional comparable. The most significant input in this valuation approach is the selling price per square meter.

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

15. TRADE RECEIVABLES

	2019 S$'000	2018 S$'000
Trade receivables*		
– Current	**60,008**	60,883
– Non-current	**–**	5,653
	60,008	66,536
Allowance for impairment	**(600)**	(600)
	59,408	65,936

* Included in trade receivables is retention receivables of S$4,072,000 and S$17,377,000 for the year ended 31 October 2019 and 2018 respectively. Retention receivables 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. TRADE RECEIVABLES (CONTINUED)

The carrying amounts of current trade receivables approximate their fair values. The fair values of non-current retention 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 trade receivables and the market borrowing rates used are as follows:

	2019	2018
Borrowing rates	**–**	5.32%
Trade receivables (S$'000)	**–**	5,245

Trade receivables

Trade receivables are non-interest bearing and are generally on 35 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The ageing analysis of the trade receivables, based on invoice date, is as follows:

	2019 **S$'000**	2018 S$'000
– Less than 3 months	**26,194**	42,027
– 3 to 6 months	**10,661**	8,608
– Over 6 months to 1 year	**12,670**	4,769
– More than 1 year	**10,483**	11,132
	60,008	66,536

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.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to S$35,818,000 (2018: S$31,552,000) as at 31 October 2019 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	2019 **S$'000**	2018 S$'000
Trade receivables past due but not impaired:		
– Past due less than 3 months	**8,700**	24,727
– Past due 3 to 6 months	**12,158**	4,652
– Past due more than 6 months to 1 year	**10,383**	175
– Past due more than 1 year	**4,577**	1,998
	35,818	31,552

15. TRADE RECEIVABLES (CONTINUED)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	2018 S$'000
Trade receivables – nominal amounts	3,354
Less: Allowance for impairment	(600)
	2,754
Movement in allowance accounts:	
At 1 November	–
Charge for the year	600
At 31 October	600

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

		2019	
	Trade receivables S$'000	**Contract assets S$'000**	**Total S$'000**
Movement in allowance accounts:			
At 1 November	**600**	**–**	**600**
Charge for the year	**–**	**–**	**–**
At 31 October	**600**	**–**	**600**

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	2019 S$'000	2018 S$'000
Deposits	**1,651**	1,835
Prepayments	**1**	272
Other receivables		
– Related parties	**45**	45
– Non-related parties	**308**	842
	2,005	2,994

Deposits include deposits paid in respect of office leases and tenders as well as those in connection with professional services and construction projects.

Other receivables related mainly to loans granted to our employees. Our employee loans which are interest free are approved by directors. The loans are only granted to employees (excluding directors and senior management) who have worked for more than 5 years, have good performance record and are willing to maintain a long working relationship with the Group.

The carrying amounts of other receivables, deposits and prepayments approximate their fair values.

17. CONTRACT ASSETS/LIABILITIES

Information about contract assets and contract liabilities from contracts with customers are disclosed as follows:

	2019 S$'000
Construction contracts:	
Contract assets	**45,417**
Contract liabilities	**7,798**

Contract assets primarily relates to the Group's right to consideration for work completed but not yet billed at reporting date arising from construction contracts. Contract assets are transferred to receivables when the rights become unconditional.

Included within contract assets is an amount of S$17,664,000 which relate to amounts withheld (up to 5% of the contract sum) under contractual terms from amount receivables from customers as the construction work progresses. The monies are generally released from the customers upon the certification of completion of work and/or finalisation of contract accounts, which is typically 12 to 18 months after the physical completion of the project. As these amounts are expected to be realised in the normal operating cycle, they are classified as current asset.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers from construction contracts. Contract liabilities are recognised as revenue as the Group performs under the contract.

17. CONTRACT ASSETS/LIABILITIES (CONTINUED)

(i) Significant changes in contract assets are explained as follows:

	2019 S$'000
Contract asset reclassified to receivables	**(21,049)**
Right to consideration for work completed but not yet billed	**27,591**

(ii) Significant changes in contract liabilities are explained as follows:

	2019 S$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**14,290**
Advance received from customers	**(1,984)**

(iii) Unsatisfied performance obligations

	2019 S$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 October	
Construction contracts	
Within one year	**176,131**
More than one year	**131,855**
	307,986

The amount disclosed above does not include variable consideration which is subject to significant risk of reversal. As permitted under IFRS 15, the aggregate transaction price allocated to unsatisfied contracts of periods one year or less, is not disclosed.

18. AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2018 S$'000
Contract costs incurred plus recognised profits less recognised losses	966,155
Less: Progress billings	(947,384)
At 31 October	18,771
Analysed for reporting purposes as:	
Amounts due from customers for contract works	38,875
Amounts due to customers for contract works	(20,104)
	18,771

19. CASH AND CASH EQUIVALENTS

	2019 S$'000	2018 S$'000
Cash at banks	**22,785**	13,339
Short-term bank deposits	**8,401**	10,372
Cash and cash equivalents in the consolidated statement of cash flows	**31,186**	23,711

The carrying amounts of cash and cash equivalents denominated in United States Dollars and Hong Kong Dollars amounted to S$1,002,000 (2018: S$1,125,000) and S$737,000 (2018: S$1,362,000), respectively. The remaining balances are denominated in Singapore Dollars.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of not more than three months depending on the immediate cash requirement of the Group and earn interests at respective short-term deposit rates.

20. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019 S$'000	2018 S$'000
Current		
Trade payables	**14,477**	12,680
Retention payables	**9,772**	7,839
Accrued construction costs	**9,841**	9,393
	34,090	29,912
‘		
Deposits	**230**	255
Accrued expenses	**2,760**	2,185
Goods and services tax payables	**301**	733
Amount due to non-controlling shareholders	**–**	296
Other payables	**2,625**	703
	5,916	4,172
Non-current		
Retention payables	**1,506**	2,698
Amount due to non-controlling shareholders	**2,058**	–

The carrying amounts of current trade, retention and other payables approximate their fair values.

20. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

Amount due to non-controlling shareholders

In prior year, the current portion pertains to advances made by the non-controlling shareholders for upfront payment to acquire a property by a subsidiary, Regal Haus Pte. Ltd. ("RH"). This advance is repayable on demand. The balance has been fully settled during the financial year ended 31 October 2019.

The non-current portion pertains to loans from the non-controlling shareholders for the acquisition of the leasehold land and building under construction incurred by RH. This loan is interest free and are expected to be repaid in 2022.

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:

	2019	2018
Borrowing rates	**5.30%**	5.32%
Retention payables (S$'000)	**1,308**	2,468
Borrowing rates	**2.95%**	–
Amount due to non-controlling shareholders (S$'000)	**1,886**	–

The ageing analysis of the trade payables, based on invoice date, is as follows:

	2019 **S$'000**	2018 S$'000
– Less than 3 months	**13,562**	11,124
– 3 to 6 months	**37**	91
– Over 6 months to 1 year	**73**	90
– More than 1 year	**805**	1,375
	14,477	12,680

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

Retention payables were not yet past due as at 31 October 2019 and 2018 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.

21. PROVISION

Provision for onerous contracts

	2019 S$'000
Balance for the year	–
Arose during the year	434
Utilised	(395)
	39

During the year, the Group provided S$39,000 (2018: Nil) for the unavoidable costs of fulfilling certain fixed price construction contracts with customers, that were in excess of the economic benefits expected to be received under the contracts. The provision for the onerous contracts is expected to be utilised at the end of the contract terms.

The above provision has not been discounted as the effect of discounting is not significant.

22. BORROWINGS

	Maturity	2019 S$'000	2018 S$'000
Current			
SGD bank loan	2034	720	–
Non-current			
SGD bank loan	2034	9,780	–

SGD bank loan

This loan is repayable over 180 monthly instalments commencing on 10 June 2019 and is interest bearing at 1% per annum above the bank's cost of funds in the first year and interest bearing at 1.2% per annum above the bank's cost of funds in the second year onwards.

The loan is secured by first mortgage over certain property (Note 12) of the Group, corporate guarantee provided by a wholly-owned subsidiary of the Group, HPC Builders Pte. Ltd. and personal guarantees provided by the executive directors of the Group.

The loan includes a financial covenant which requires the Group to maintain a security margin, defined as a percentage of outstanding borrowings over gross development value of the secured property, of less than 80%.

22. BORROWINGS (CONTINUED)

Changes in liabilities arising from financing activities

	1 November 2018 S$'000	Cash inflows S$'000	Cash outflows S$'000	New leases S$'000	Others* S$'000	**31 October 2019 S$'000**
Borrowings						
– Current	–	–	–	–	720	**720**
– Non-current	–	10,800	(300)	–	(720)	**9,780**
Finance lease liabilities						
– Current	32	–	(32)	–	100	**100**
– Non-current	41	–	(59)	634	(100)	**516**
Amount owing to non-controlling shareholders (non-current)	–	2,058	–	–	–	**2,058**
	73	12,858	(391)	634	–	**13,174**

* Pertains to reclassification between current and non-current

23. INVESTMENT IN SUBSIDIARIES

(a) Composition of the Group

Name of company (Country of incorporation)	**Principal activities**	**Particulars of share capital**	**Percentage of equity held by the Group 2019 %**	**2018 %**
Held by the Company				
HPC Investments Limited (British Virgin Islands)	Investment holding	US$1	**100**	100
DHC Investments Limited (British Virgin Islands)	Investment holding	US$1	**100**	100
Held through HPC Investments Limited				
HPC Builders Pte. Ltd. (Singapore)	General contractors	S$15,000,000	**100**	100
Held through DHC Investments Limited				
DHC Construction Pte. Ltd. (Singapore)	General contractors	S$3,000,000	**100**	100
Held through HPC Builders Pte. Ltd.				
(1) Regal Haus Pte. Ltd. (Singapore)	Investment holding & Engineering design and consultancy services	S$510,000	**51**	51

(1) 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 for both the year ended 31 October 2018 and 31 October 2019.

24. SHARE CAPITAL AND SHARE PREMIUM

Authorised ordinary shares

	Number of shares '000	Share capital HK$'000
As at 1 November 2017, 31 October 2018, 1 November 2018 and 31 October 2019	10,000,000	100,000

Ordinary shares

	Number of shares issued and fully paid '000	Share capital S$'000	Share premium S$'000
At 1 November 2017	1,000	2	45,721
Issue of shares pursuant to capitalisation (a)	1,199,000	2,041	(2,041)
Issue of shares pursuant to the share offer in Listing (b)	400,000	682	30,095
Listing expenses related to the issue of new shares (Note (b))	–	–	(3,998)
At 31 October 2018, 1 November 2018 and 31 October 2019	1,600,000	2,725	69,777

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(a) 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.

(b) 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

Capital reserve of the Group includes:

- Capital contribution by a shareholder arising from the acquisition of a subsidiary, DHC Construction Pte. Ltd. during the financial year ended 31 October 2017; and

- The difference between the consideration paid for the acquisition of HPC Builders Pte. Ltd. (HPCB) and the share capital of HPCB arising from the reorganisation exercise undertaken by the Group during the financial year ended 31 October 2017.

26. COMMITMENTS

Operating lease commitments – where the Group is a lessor

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

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:

	2019 S$'000	2018 S$'000
Within one year	**188**	–
Two to five years	**246**	–
	434	–

Finance lease commitments

The Group has finance leases for certain items of motor vehicles.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Future minimum lease payments 2019 S$'000	**Present value of minimum lease payments 2019 S$'000**	Future minimum lease payments 2018 S$'000	Present value of minimum lease payments 2018 S$'000
Within one year	**118**	**100**	36	32
Between two and five years	**462**	**394**	48	41
More than five years	**143**	**122**	–	–
Total minimum lease payments	**723**	**616**	84	73
Less: Amounts representing finance charges	**(107)**	**–**	(11)	–
Present value of minimum lease payments	**616**	**616**	73	73

27. DIVIDENDS

The Board does not recommend to declare any final dividend for the year ended 31 October 2019.

	2019 S$'000	2018 S$'000
Declared and paid during the financial year:		
Dividends on ordinary shares		
– Interim dividends	–	23,850

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.

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.

28. RELATED PARTY DISCLOSURES

(a) Transactions

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

	2019 S$'000	2018 S$'000
Shanghai Construction (Group) General Co Singapore Branch		
Construction income	–	10
Olivine Capital Pte. Ltd.		
Write back of trade receivables	–	161
Other income	171	–

28. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The amounts stated below for key management compensation are for all the executive directors and other key management personnel.

Key management personnel compensation included in staff costs comprises:

	2019	2018
	S$'000	S$'000
Short-term employee benefits	**2,572**	898
Defined contribution plans	**32**	40
	2,604	938
Comprise amounts paid to:		
Directors of the Company	**2,604**	938
Other key management personnel	**–**	–
	2,604	938

29. BENEFITS AND INTEREST OF DIRECTORS

Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 October 2019 and 2018 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				
	Directors' fee	**Salary**	**Discretionary bonus**	**Employer's contribution**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
2019					
Executive director					
Mr Wang Yingde	**100**	**386**	**900**	**16**	**1,402**
Mr Shi Jianhua	**100**	**386**	**900**	**16**	**1,402**
Independent non-executive director					
Mr Zhu Dong	**42**	**–**	**–**	**–**	**42**
Mr Leung Wai Yip	**42**	**–**	**–**	**–**	**42**
Ms Ng King Wai Diana	**42**	**–**	**–**	**–**	**42**
Mr Ong Toon Lian	**42**	**–**	**–**	**–**	**42**
	368	**772**	**1,800**	**32**	**2,972**

29. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

Directors' and chief executive's emoluments (Continued)

	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiaries undertaking				
	Directors' fee S$'000	Salary S$'000	Discretionary bonus S$'000	Employer's contribution S$'000	Total S$'000
2018					
Executive director					
Mr Wang Yingde	–	316	133	21	470
Mr Shi Jianhua	–	316	133	19	468
Independent non-executive director					
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

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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: foreign currency 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 foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk

Most of the income and expenditures of the Group are denominated in SGD being the functional currency of the subsidiaries, and hence, the Group does not have any material foreign exchange exposure, except for cash and cash equivalents (Note 19).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their borrowings. The Group's cash at banks carry low interest rates for which the interest income is not significant and finance lease liabilities are subject to fixed interest rates.

Sensitivity analysis for interest rate risk

At 31 October 2019, if interest rates had been 50 (2018: Nil) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been S$44,000 (2018: Nil) higher/lower, arising mainly as a result of higher/lower interest expense on borrowings respectively. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market conditions.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group's exposure to credit risk mainly arises primarily from trade, retention and other receivables, contract assets (2018: 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 financial institutions 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. Trade receivables that are neither past due nor impaired relate to companies with a good collection track record with the Group as well as amounts which after management's robust internal review are assessed to be recoverable based on prevailing circumstance.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include significant difficulty of the counterparty.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 180 days past due in making contractual payment.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or the borrower

– A breach in contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Trade receivables and contract assets

The Group has applied the simplified approach to provide for impairment for ECLs prescribed by IFRS 9, which permits the use of lifetime expected provision for impairment of all contract assets and trade receivables. To measure ECLs, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information.

Given (i) the customers for the Group are well-known institutions and government agencies and there was no history of default in prior years; and (ii) no adverse change in the business environment is anticipated, management considered the default rate of trade receivables and contract assets to be minimal and the expected credit loss rate of institutions and government agencies to be nil for all ageing bands. As a result, no provision for impairment of trade receivables and contract assets is necessary. Information regarding the aging analysis of the Group's trade receivables are disclosed in Note 15.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet.

Credit risk concentration profile

The Group is exposed to concentration of credit risk as at 31 October 2019 and 2018 on trade receivables from the Group's top five debtors amounting to approximately, S$39,978,000 and S$46,630,000, respectively, and accounted for 52% and 64% of the total trade receivables balance, respectively. The major customers of the Group are reputable organisations. Management considers that the credit risk is limited in this regard.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

Analysis of financial liabilities by remaining contractual maturities

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.

	One year or less S$'000	**One to five years** S$'000	**Over five years** S$'000	**Total** S$'000
2019				
Trade and retention payables	**34,090**	**1,506**	**–**	**35,596**
Other payables and accruals (less: GST payables)	**5,615**	**2,058**	**–**	**7,673**
Finance lease liabilities	**118**	**478**	**127**	**723**
Borrowings	**1,033**	**3,952**	**7,968**	**12,953**
Total undiscounted financial liabilities	**40,856**	**7,994**	**8,095**	**56,945**
2018				
Trade and retention payables	29,912	2,698	–	32,610
Other payables and accruals (less: GST payables)	3,439	–	–	3,439
Finance lease liabilities	36	48	–	84
Total undiscounted financial liabilities	33,387	2,746	–	36,133

31. FAIR VALUE OF ASSETS AND LIABILITIES

The carrying amounts of the Group's current financial assets and liabilities including trade 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 receivables and trade and retention payables as disclosed in Notes 15 and 20 respectively approximate their fair values.

Financial instruments by category

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

	2019 **S$'000**	2018 S$'000
Financial assets at amortised cost	**92,599**	92,641
Financial liabilities at amortised cost	**54,725**	36,855

32. 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. No changes were made in the objectives, policies or processes during the years ended 31 October 2019 and 2018.

Capital includes equity attributable to the owners of the Company less capital reserves. The Group's policy is to ensure that capital is positive to provide returns for shareholders.

	2019 **S$'000**	2018 S$'000
Equity attributable to owners of the Company	**94,421**	79,597
Less: Capital reserves	**(26,972)**	(26,972)
Total capital	**67,449**	52,625

Other than that disclosed in Note 22 to the financial statements, the Group did not raise any external borrowings.

33. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2019 S$'000	2018 S$'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**37,223**	37,223
Other receivables		**32,644**	–
		69,867	37,223
Current assets			
Other receivables		**–**	32,635
Cash and cash equivalents		**752**	1,732
		752	34,367
Total assets		**70,619**	71,590
EQUITY AND LIABILITIES			
Current liabilities			
Other payables and accruals		**2,692**	2,458
Total liabilities		**2,692**	2,458
Equity attributable to owners of the Company			
Share capital		**2,725**	2,725
Share premium	(a)	**69,777**	69,777
Accumulated losses	(a)	**(4,575)**	(3,370)
Total equity		**67,927**	69,132
Total equity and liabilities		**70,619**	71,590

33. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Share premium S$'000	Accumulated losses S$'000
Balance at 1 November 2017	45,721	(106)
Comprehensive income		
Profit for the year, representing total comprehensive income for the year	–	20,586
Transactions with owners		
Dividends (Note 27)	–	(23,850)
Issue of shares pursuant to capitalisation	(2,041)	–
Issue of shares pursuant to the share offer in Listing	30,095	–
Listing expenses related to the issue of new shares	(3,998)	–
Total transactions with owners, recognised directly in equity	24,056	(23,850)
Balance as at 31 October 2018	69,777	(3,370)
Balance at 1 November 2018	**69,777**	**(3,370)**
Comprehensive income		
Loss for the year, representing total comprehensive income for the year	**–**	**(1,205)**
Balance as at 31 October 2019	**69,777**	**(4,575)**

34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 October 2019 were authorised for issue in accordance with a directors' resolution dated 30 January 2020.

Five-Year Financial Summary

RESULTS

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

	Year ended 31 October				
	2019	2018	2017	2016	2015
	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	**215,498**	228,630	201,075	191,327	214,160
Profit before income taxation	**18,407**	16,677	33,721	29,702	20,749
Income tax expenses	**(3,583)**	(2,962)	(6,397)	(4,723)	(3,229)
Profit and total comprehensive income	**14,824**	13,715	27,324	24,979	17,520
Profit and total comprehensive income is attributable to:					
Owners of the Company	**14,862**	13,715	27,324	24,979	17,520
Non-controlling interests	**(38)**	–	–	–	–
	14,824	13,715	27,324	24,979	17,520

ASSETS AND LIABILITIES

	Year ended 31 October				
	2019	2018	2017	2016	2015
	S$'000	S$'000	S$'000	S$'000	S$'000
Assets					
Non-current assets	**22,362**	13,137	19,665	20,727	13,863
Current assets	**138,016**	125,863	104,101	105,417	151,534
Total assets	**160,378**	139,000	123,766	126,144	165,397
Equity and liabilities					
Total equity	**94,421**	79,597	62,463	55,139	50,409
Non-current liabilities	**13,860**	2,739	3,376	2,958	6,163
Current liabilities	**52,097**	56,664	57,927	68,047	108,825
Total Liabilities	**65,957**	59,403	61,303	71,005	114,988
Total equity and liabilities	**160,378**	139,000	123,766	126,144	165,397