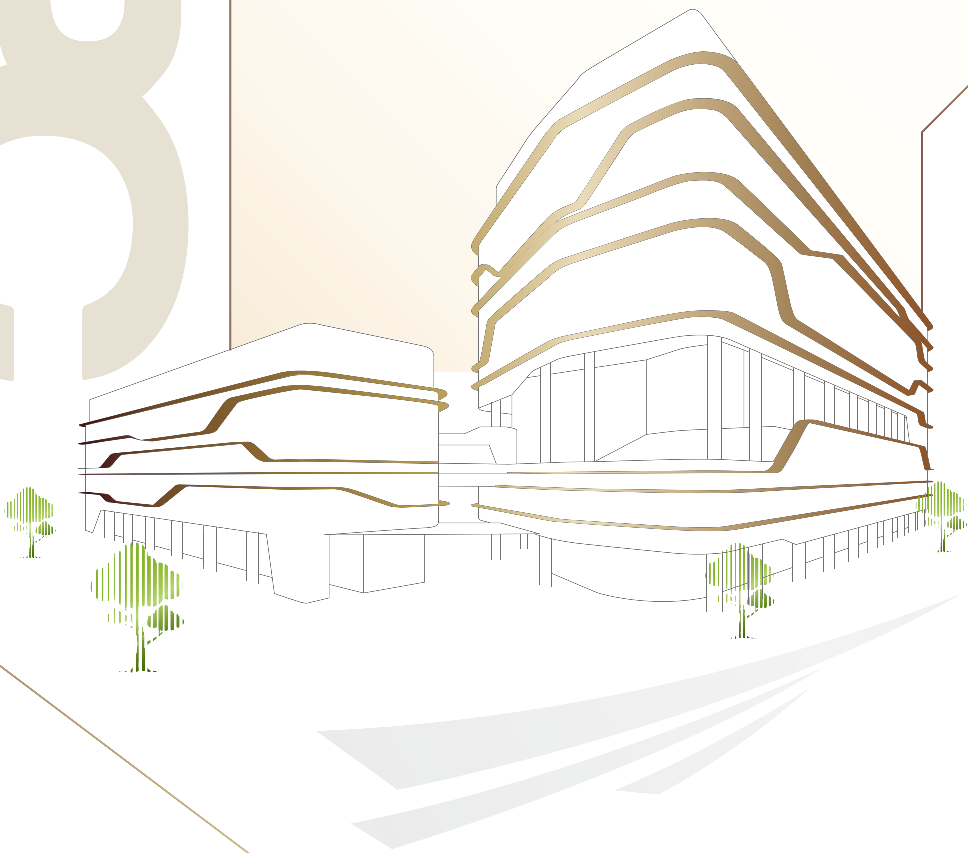
HPC HOLDINGS LIMITED

黃浦建設

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

INTERIM REPORT 2020



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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

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

CORPORATE INFORMATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of HPC Holdings Limited (the "**Company**") announces its unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 April 2020 (the "**Interim Period**") together with the comparative figures for the corresponding period in 2019 (the "**Previous Period**").

BUSINESS REVIEW

The financial year 2020 has proven to be a very challenging year as the whole world is experiencing an unprecedented crisis caused by the COVID-19 pandemic (the "**Pandemic**") which threatens lives and livelihoods in bringing the much of industry and commerce to a standstill for a prolong period of time. As a result, the Group's performance has also been badly affected and not been able to secure any new project since January 2020. However, the Group had managed to secure two important projects towards the end of year 2019 with significant contract sum amounting to S$254.14 million in total, lifting our order book to a healthy level of S$373.9 million as of 30 April 2020. This is important as the Group has secured substantial order book before the onset of the Pandemic to tide through this difficult period. The Group has also been breaking new ground in 2019 in securing the first new build HDB residential project based on the latest construction method of using Prefabricated Prefinished Volumetric Construction (PPVC) system. The other project was a repeat order by one of our existing clients, LOGOS, in building their mega Tuas Logistics Hub project. The Group is also embarking on building our new 7-storey corporate headquarters at 7 Kung Chong Road (the "**7 Kung Chong Project**"), in our effort to boast our market image of having our own building, a strategic move to house all our staffs in one roof rather than in current 6 different offices. With the award of these projects, the Group has further expanded into public housing and mega design and builds industrial development projects, and attained the important status of a leading full-fledged contractor in Singapore.

In view of the current Circuit Breaker Measures (the "**CBM**") imposed by the Singapore Government since 7 April 2020, the Group has been putting in extra efforts to make sure our workers can stay safe and all our construction sites are COVID-Safe to resume work after this lockdown period. The management is also actively exploring all possibilities to digitize our operations to reduce contacts between all our staff and other project stakeholders, in addition to the mandatory safe distancing, working from homes, wearing masks and stagger working and lunch hours imposed by the authorities. The Group views that leveraging on the government initiatives on Industry Transformation Program and various other digital economy initiatives that come with specific grants are the best policy responses in driving productivity growth.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The unprecedented outbreak of COVID-19 from January 2020 and subsequently developed to a global pandemic, being an international trade hub, Singapore has been severely affected and construction industry has been its epicenter as mentioned in the business section. Hence, after operating with much less production activities during the Interim Period, with anticipation of future unforeseen situation, the Group's financial performance was recorded a substantial reduction as compared to the Previous Period for the six months ended at 30 April 2020.

Revenue and Gross Profit

The Group registered a 19.55% decrease in revenue for the six months ended 30 April 2020 as compared with the six months ended 30 April 2019 from approximately S$113.7 million to approximately S$91.46 million. Revenue decreased as a result of significantly less construction activities performed due to the Pandemic and the CBM.

The gross profit of the Group reduced from approximately S$14.42 million to S$7.36 million for the six months ended 30 April 2020 as compared with the six months ended 30 April 2019, representing an approximately 49.0% reduction. Gross profit margin reduces 3.93 percentage points from 12.69% to 8.75%. The decrement of the gross profit margin mainly due to relatively lower gross profit margin of the recent awarded projects compared with those projects awarded before, this is consistent with the market trends. The Pandemic also gives rise the reducing of gross profit margin as unforeseen risks increase and on-going projects are forced to face the challenging of discounted productivity and take up more labor cost, safety cost, other material cost, and eventually subcontractor cost.

Other Income

Other Income of the Group for the six months ended 30 April 2020 was much higher by approximately S$873,000 primarily due to more government subsidies granted from Singapore government to assist business defraying the cost caused by the Pandemic.

Administrative Expenses

The Group incurred more administrative expenses for the six months ended 30 April 2020 compared with the six months ended 30 April 2019. Administrative expenses increased by approximately S$1.12 million from approximately S$3.74 million to S$4.86 million. The large increment of the administrative expenses primarily due to the additional cost incurred during the idle period to maintain projects site safety and keep projects' team members who were normally directly involved in site construction activities.

Income Tax Expense

As a result of less construction activities in the Interim Period, the Group is expected to pay income tax approximately S$109,000. The effective tax rate is approximately 2.5% which is significantly lower than the statutory rate at 17%, this is mainly due to the provision for onerous contract and over provision in the prior year.

Profit After Tax

As a result of the combined effects mentioned above, the Company recorded a net profit after tax at approximately S$4.15 million. A reduction of S$5.2 million, or approximately 55.6% as compared with the Previous Period.

Dividends

The Company did not declare any dividend during the Interim Period and the Company does not recommend for further interim dividend for the six months ended 30 April 2020.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Liquidity

The Group's business operations depend on the sufficiency of working capital and effective cost management, in particular, competitive prices from subcontractors and suppliers as well as effective management of foreign workforce. The Group's primarily uses of cash are payments to subcontractors, suppliers and manpower cost. The Group has been depending on its internal generated fund to funds its working capital needs. With proven track record in costs management coupled with the local regulation on construction works settlements, the Group is not expected to face any liquidity issues.

Current ratios (defined as total current assets divided by total current liabilities) of the Group are 2.4 and 2.6 as at 30 April 2020 and 31 October 2019, respectively.

Borrowings and Gearing

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

Gearing ratios (defined as total borrowings divided by total equity) of the Group are 13.0% and 13.9% as at 30 April 2020 and 31 October 2019 respectively and it was mainly due to the above-mentioned term loans.

Foreign Exchange Exposure

Most of the Group's income and expenditures are denominated in Singapore dollars, being the functional currency of the Group, and hence, the Group does not have any material foreign exchange exposures except a few listing compliance transactions on Hong Kong Dollar.

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 30 April 2020, the acquired land was mortgaged to secure the Group's bank loan, one of the subsidiaries, 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 which was normally insured with insurance, therefore the Group does not expect any contingent liabilities in the foreseeable future.

As at 30 April 2020, 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 Interim Period, the Group incurred capital expenditures are mainly on the construction and financing cost of the 7 Kung Chong Project and some construction site equipment.

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

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

Event after the Interim Period

As at the date of the report, all our on-going projects were approved to resume works by Building & Construction Authority of Singapore.

EMPLOYEE INFORMATION

As at 30 April 2020, the Group had 1,081 employees including foreign workers.

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

Total staff costs including Directors' emoluments amounted to approximately S$14 million (2019: S$14 million) for the six months ended 30 April 2020.

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

During the CBM, our employees especially foreign workers were well taken cared, the Group swiftly responded to government arrangement to arrange accommodation, food and living groceries and distribution of personal protection and hygiene products to all the foreign workers in need. Human resource department has been followed up closely with foreign employees who are vulnerable and taken immediate action according to Singapore authorities' regulations. As at the date of announcement, none of our employee's health is seriously affected by the Pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The construction market in year 2020 in Singapore was projected to be improving compared with year 2019 in the beginning of the year 2020, even though with headwinds from trade conflicts between the two biggest economies in the world. Ministry of Trade and Industry (the "**MTI**") of Singapore reported that the construction sector grew by 0.5% to 2.5% year-on-year in 2020 in her report on 21 November 2019. However, with widespread of the Pandemic in early 2020, the construction market in Singapore has come into a total standstill with the imposition of the CBM by the Singapore government since 7 April 2020 and is projected to last till August before most of the construction projects can possibly resume work. With the impacts of the Pandemic, MTI has revised the Singapore GDP to between –1% to –4%. Fitch Solution has also projected the construction sector to contract 10.3% in 2020. With all these pessimistic projections, construction sector in Singapore is definitely facing unprecedented crisis in 2020 and the survival of many construction firms in Singapore are at stake. In order to survive with all these unprecedented headwinds ahead, the survival of all construction firms depends heavily on the various stimulus financial support schemes spearheaded by the government. This together with their sustainable business continuity plans is the main pillars in helping them to sail through this crisis.

Singapore government has initiated a strong response by committing almost S$100 billion or close to 20 per cent of GDP to the Pandemic response. The Group has been actively tapping into these various financial support schemes by the government in supporting the construction industry to defray some of the labor costs incurred during the CBM. The Group has also put in place a comprehensive business continuity plan in response to the Pandemic crisis to prepare, provide and maintain controls and capabilities for managing our overall ability to continue to operate during and after this crisis. This includes lines of crisis communication and health and safety protocols to ensure the wellbeing of our staffs and workers in office and on sites in accordance to the authority requirements, to safeguard our business against the disruption of our existing supply chains by diversifying the sourcing of key building materials, to facilitate innovation and digitization, new growth and market opportunities, raise productivity, optimize resource efficiency and promote remote working environment.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has also prudently reviewing the costing, including the additional time for completion, of all our existing contracts to reflect in the additional cost incurred and prolongation of construction time due to COVID-19 Safe Restart requirements. The Singapore Government has also passed The New COVID-19 (Temporary Measures) Act to provide that a contractor cannot be held liable if it is unable to fulfil its tasks from 1 February 2020 until mid-October 2020, which the Group has been actively engaging all our clients in citing this law to protect the Company's interest.

As a small and open economy, Singapore's response to the Pandemic has been comprehensive and decisive in protecting lives, jobs and businesses. With the government's help, the Company will build greater resilience as we prepare for this new, more uncertain industry and to take care of all staffs and their livelihoods of the Company. The silver lining in construction industry in Singapore is that while the timelines may shift, government will ensure that Singapore's long-term major infrastructure projects remain and will be completed. These projects are Changi Airport Terminal 5, Tuas Mega Port, Punggol Digital District, Jurong Lake District, Sungei Kadut Eco-District and the Greater Southern Waterfront (GSW) projects. This presents a lifeline to most of the construction companies after the construction market returns to normalcy in the near future. The Company will be actively participating in these tenders once they are released by the government.

With the current market outlook and the impacts of the imminent prolongation of the Pandemic, we expect to see the Company having to cope with lower gross profit due to cost overrun of the on-going projects in anticipation of productivity loss and the intense competition for new jobs once the market reopen situations for the whole of financial year 2020. However, with a healthy Order Book of S$373.9 million, the Group remains cautiously optimistic that the Company can sail through this crisis safely and regroup to excel again once the construction market returns to the normalcy in the foreseeable future.

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to eligible persons. The maximum number of shares which may be issued upon exercise of all options to be granted under the scheme and any other schemes of the Group shall not in aggregate exceed 160,000,000, being 10% of the Company's shares listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "**SEHK**") on 11 May 2018.

No share options were granted or outstanding for the six months ended 30 April 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix 10 of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") as code of conduct regarding directors' securities transactions during the Interim Period and upon specific enquiry made, all Directors have confirmed that they complied with the Model Code throughout the six months ended 30 April 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted and complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the Interim Period with the exception of code provision A.2.1.

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 19 April 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the SEHK and the Company. It comprised of three independent non-executive Directors, namely, Mr. Leung Wai Yip (Chairman), Mr. Zhu Dong and Ms. Ng King Wai Diana.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control procedures and financial reporting matters including the review of the Group's half year financial results for the Interim Period, particularly addressed the impact of the Pandemic to the Company's operation. The Audit Committee is of the view that the unaudited interim consolidated financial statements for the six months ended 30 April 2020 have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

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

The Company's auditor, Ernst and Young LLP, has reviewed the unaudited interim financial information of the Group for the six months ended 30 April 2020 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

USE OF PROCESS

The shares of the Company were listed on the Main Board of the SEHK on 11 May 2018. Net proceeds arising from the Listing amounted to approximately HK$124.4 million. The percentage of net proceeds was allocated in accordance to the proposed proportion in the prospectus. As at 30 April 2020, the use of the nets proceeds was approximately as follows:

Use of net proceeds	Percentage of net proceeds	Net proceeds (in HK$ million)	Amount utilised (in HK$ million)	Amount remaining (in HK$ million)
Initial capital deployment for main contractor business	65%	80.9	80.9	–
Purchase of facilities and equipment	20%	24.9	5.4	19.5
Talent recruitment and training, and expansion of our labour force	5%	6.2	6.2	–
Working capital	10%	12.4	12.4	–
Total	100%	124.4	104.9	19.5

The Group has utilized 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 unutilized net proceeds from Listing. Due to the impact of the Pandemic, Singapore government encourages all the business to go digital in all possible aspects, including workers management. The Group is considering to utilise the balance of proceed to set up our own workers' hub to defray part of the increasing managerial cost for workers who are currently staying in scattered dormitories. Hence, it is expected the balance will be fully utilized within one year from the date of this report.

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

As at 30 April 2020, the interests and short positions of the Directors, chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "**SFO**"), or as otherwise notified to the Company and the SEHK pursuant to the Model Code are as follows:

Interests in the Company

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

Note:

(1) The 660,000,000 shares are held by Tower Point Global Limited (the "**Tower Point**"), which is wholly and beneficially owned by Mr. Wang Yingde, the executive Director of the Company. By virtue of the SFO, Mr. Wang Yingde is deemed to be interested in all the shares held by Tower Point.

(2) The 540,000,000 shares are held by Creative Value Investments Limited (the "**Creative Value**"), which is wholly and beneficially owned by Mr. Shi Jianhua, the executive Director of the Company. By virtue of the SFO, Mr. Shi Jianhua is deemed to be interested in all shares held by Creative Value.

(3) Based on a total of 1,600,000,000 shares of the Company as at 30 April 2020.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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

CHANGE IN DIRECTORS' INFORMATION

As recommended by remuneration committee and approved by the board of directors by resolution on 30 January 2020, Mr. Wang Yingde and Mr. Shi Jianhua's monthly salary increased S$3,000 from S$31,000 to S$34,000 started from February 2020.

CHANGE IN BOARD MEMBER AND STRUCTURE

Mr. Ong Toon Lian, had tendered his resignation as independent non-executive director of the Company effectively from 11 April 2020. The Board now comprises two executive Directors and three independent non-executive Directors. With the resignation of Mr. Ong, reference was made to Listing Rule Appendix 14 D3.2, the Board dissolved the Workplace Safety Committee (the "WSH Committee") and assumed all the corporate governance duties and responsibilities of the WSH committee with effect from 11 April 2020. The corporate safety management function is enhanced with direct leadership from executive Directors and major safety related matters are discussed in the Board level.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2020

To the Members of HPC Holdings Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of HPC Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the interim condensed consolidated statement of financial position as at 30 April 2020 and the interim condensed consolidated statements of comprehensive income, changes in equity, and cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2020

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore

29 June 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 April 2020

		Six Months Ended 30 April	
	Note	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Revenue	*4*	91,462	113,690
Cost of sales		(84,102)	(99,267)
Gross profit		7,360	14,423
Other operating income	*4*	1,615	742
Administrative expense		(4,863)	(3,734)
Other gains/(losses)		66	(71)
Finance income		107	55
Finance costs		(26)	(7)
Profit before tax	*5*	4,259	11,408
Income tax expense	*6*	(109)	(2,057)
Profit for the period, representing total comprehensive income for the period		4,150	9,351
Total comprehensive income attributable to:			
Owners of the Company		4,173	9,351
Non-controlling interests		(23)	–
		4,150	9,351
Earnings per share for profit attributable to owners of the Company			
– Basic (expressed in Singapore cents per share)	*7*	0.3	0.6
– Diluted (expressed in Singapore cents per share)	*7*	0.3	0.6

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 April 2020

	Note	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	17,330	16,905
Investment properties	*10*	5,313	5,397
Deferred tax assets		277	60
		22,920	22,362
Current assets			
Trade receivables	*11*	64,785	59,408
Other receivables, deposits and prepayment	*12*	10,502	2,005
Contract assets	*13*	28,853	45,417
Cash and cash equivalents	*14*	48,296	31,186
		152,436	138,016
Total assets		175,356	160,378
EQUITY AND LIABILITIES			
Current liabilities			
Trade and retention payables	*15*	29,454	34,090
Other payables and accruals	*15*	6,153	5,916
Provisions	*16*	1,435	39
Contract liabilities	*13*	23,664	7,798
Finance lease liabilities	*20*	101	100
Borrowings	*17*	720	720
Current income tax payable		2,761	3,434
		64,288	52,097
Net current assets		88,148	85,919

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 April 2020

	Note	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Non-current liabilities			
Retention payables	*15*	521	1,506
Other payables	*15*	2,058	2,058
Finance lease liabilities	*20*	498	516
Borrowings	*17*	9,420	9,780
		12,497	13,860
Total liabilities		76,785	65,957
Equity attributable to owners of the Company			
Share capital	*18*	2,725	2,725
Share premium	*18*	69,777	69,777
Capital reserves	*19*	(26,972)	(26,972)
Retained profits		52,612	48,439
		98,142	93,969
Non-controlling interests		429	452
Total equity		98,571	94,421
Total equity and liabilities		175,356	160,378

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 April 2020

	Attributable to owners of the Company						
	Share capital $'000	Share premium $'000	Capital reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group							
At 1 November 2018 (Audited)	2,725	69,777	(26,972)	33,577	79,107	490	79,597
Profit for the period, representing total comprehensive income for the period	–	–	–	9,351	9,351	–	9,351
At 30 April 2019 (Unaudited)	2,725	69,777	(26,972)	42,928	88,458	490	88,948
At 1 November 2019 (Unaudited)	2,725	69,777	(26,972)	48,439	93,969	452	94,421
Profit for the period, representing total comprehensive income for the period	–	–	–	4,173	4,173	(23)	4,150
At 30 April 2020 (Unaudited)	2,725	69,777	(26,972)	52,612	98,142	429	98,571

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 April 2020

	Six months ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Cash flows from operating activities		
Profit before tax	4,259	11,408
Adjustments for:		
Depreciation of property, plant and equipment	365	301
Depreciation of investment properties	84	45
Loss on disposal of property, plant and equipment	9	25
Interest expense	26	7
Interest income	(107)	(55)
Provision for onerous contract	2,095	–
Operating cash flows before changes in working capital	6,695	11,731
Changes in working capital:		
– Decrease in contract assets	32,430	13,833
– Increase in trade receivables	(5,377)	(28,539)
– (Increase)/decrease in other receivables, deposits and prepayments	(8,465)	54
– (Decrease)/increase in trade and retention payables	(6,284)	7,189
– Increase in other payables and accruals	237	205
Cash generated from operations	19,236	4,473
Interest paid	(26)	–
Interest received	75	55
Income tax paid	(998)	(486)
Net cash generated from operating activities	18,287	4,042

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the Six Months Ended 30 April 2020

	Six months ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	–	39
Purchase of property, plant and equipment	(767)	(15,104)
Net cash used in investing activities	(767)	(15,065)
Cash flows from financing activities		
Proceeds from bank borrowings and loans from related parties	–	12,515
Repayment of bank borrowings	(360)	–
Repayment of lease liabilities	(50)	–
Net proceed from finance lease liabilities	–	587
Net cash (used in)/generated from financing activities	(410)	13,102
Net increase in cash and cash equivalents	17,110	2,079
Cash and cash equivalents at beginning of the period	31,186	23,711
Cash and cash equivalents at end of the period	48,296	25,790

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2020

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. During the financial period, the Company's subsidiaries were principally engaged in the following principal activities:

(i) General contractors;
(ii) Engineering design and consultancy services; and
(iii) Investment holding.

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 April 2020 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("**IAS 34**").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 October 2019.

The interim condensed consolidated financial statements are presented in Singapore dollars ($) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

2. Summary of significant accounting policies (continued)

2.2 New standards, interpretations and amendment adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 October 2019, except for the adoption of new standards effective as of 1 November 2018. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

For the current period, the Group has applied all the new and revised IFRSs as well as amendments to and interpretation of IFRSs that are relevant to its operations and effective for the financial periods beginning on or after 1 November 2019. These applications do not have a material impact on the interim condensed consolidated financial statements of the Group.

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**
Amendments to IFRS 3: *Definition of a Business*	1 January 2020
Amendments to IAS 1 and IAS 8: *Definition of Material*	1 January 2020
Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to IAS 16: *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*	1 January 2022

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

3. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

3. Segment information (continued)

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. Group financing (including finance costs), income taxes and investment properties are managed on a group basis and are not allocated to operating segments.

The segment information provided to the Group's executive director for the reportable segments for the period ended 30 April 2020 and 30 April 2019 are as follows:

	General building construction $'000	Civil engineering $'000	Total $'000
Six-months ended 30 April 2020 (Unaudited)			
Total segment revenue to external customers	85,966	5,496	91,462
Gross profit	6,103	1,257	7,360
Segment assets	87,009	6,629	93,638
Segment liabilities	53,091	1,983	55,074

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

3. Segment information (continued)

Allocation basis and transfer pricing (continued)

	General building construction $'000	Civil engineering $'000	Total $'000
Six-months ended 30 April 2019 (Unaudited)			
Total segment revenue to external customers	105,755	7,935	113,690
Gross profit	11,926	2,497	14,423
Segment assets	113,772	2,668	116,440
Segment liabilities	54,301	2,159	56,460

Reconciliations

(i) Segment profits

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

	Six months ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Gross profit for reportable segments	7,360	14,423
Other income	1,615	742
Other gains/(losses)	66	(71)
Administrative expenses	(4,863)	(3,734)
Finance income	107	55
Finance costs	(26)	(7)
Profit before tax	4,259	11,408

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

3. Segment information (continued)

Reconciliations (continued)

(ii) Segment assets

The amounts reported to the executive directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements as at 31 October 2019. Segment assets exclude unallocated head office assets as these assets are managed on a group basis.

Segment assets are reconciled to total assets as follows:

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Segment assets for reportable segments	93,638	104,825
Unallocated:		
Property, plant and equipment	17,330	16,905
Investment properties	5,313	5,397
Deferred tax assets	277	60
Other receivables, deposits and prepayments	10,502	2,005
Cash and cash equivalents	48,296	31,186
	175,356	160,378

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

3. 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 as at 31 October 2019. Segment liabilities exclude unallocated head office liabilities as these liabilities are managed on a group basis.

Segment liabilities are reconciled to total liabilities as follows:

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Segment liabilities for reportable segments	55,074	44,699
Unallocated:		
Finance lease liabilities	599	616
Other payables and accruals	8,211	6,708
Borrowings	10,140	10,500
Current income tax payable	2,761	3,434
	76,785	65,957

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

4. Revenue and other operating income

	Six months ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Revenue from contracts with customers		
Construction contract revenue	91,462	113,690

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

Disaggregation of revenue

	Six months ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
By project sector		
Public sector	7,905	13,671
Private sector	83,557	100,019
	91,462	113,690

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

4. Revenue and other operating income (continued)

Disaggregation of revenue (continued)

	Six-months ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Government grants*	1,125	162
Sales of scrap materials	333	539
Rental income from investment properties	86	–
Others	71	41
Other operating income	1,615	742

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

5. Profit before tax

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

	Six months ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Auditors' remuneration:		
– auditor of the Company	70	20
Materials, sub-contractors and other construction costs	72,528	87,334
Depreciation of property, plant and equipment	365	301
Depreciation of investment properties	84	45
Employee compensation	14,089	14,173
Operating lease rentals*	106	61
Entertainment and transportation	183	147
Professional fees	155	330
Listing expenses	–	123

* Operating lease rentals relate to rental expenses arising from short-term lease entered into by the Group for its office premise.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

6. Income tax expense

Major components of income tax expense

The major components of income tax expense for the periods ended 30 April 2020 and 2019 are:

	Six months ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Current income tax	409	2,001
Deferred income tax	(217)	75
Over provision in respect of previous years	(83)	(19)
Income tax expense recognised in profit or loss	109	2,057

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% in 2019. No provision for profits tax has been made in other countries/jurisdictions in which the Group operates as the Group did not generate any assessable profits arising in other countries/jurisdictions during the six-month period ended 30 April 2020 and 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

7. 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 period.

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.

	Six months ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Profit for the period attributable to owners of the Company	4,173	9,351

	No. of shares	
	2020	2019
Weighted average number of ordinary shares on issue applicable to		
Basic and diluted earnings per share (in thousands)	1,600,000	1,600,000
Basic and diluted earnings per share (S cents)	0.3	0.6

8. Dividends

No dividends were declared during the six-months ended 30 April 2020 and 30 April 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

9. Property, plant and equipment

	Computers $'000	Furniture and fittings $'000	Motor vehicles $'000	Plant and equipment $'000	Leasehold improvements $'000	Leasehold land and building under construction $'000	Total $'000
(Unaudited)							
Cost:							
At 1 November 2019	873	176	3,505	1,881	60	14,312	20,807
Additions	96	–	566	284	–	364	1,310
Disposals	–	–	(557)	–	–	–	(557)
At 30 April 2020	969	176	3,514	2,165	60	14,676	21,560
Accumulated depreciation:							
At 1 November 2019	688	149	1,423	1,597	45	–	3,902
Depreciation for the period	60	13	174	112	6	–	365
Disposals	–	–	(37)	–	–	–	(37)
At 30 April 2020	748	162	1,560	1,709	51	–	4,230
Net carrying amount:							
At 30 April 2020	221	14	1,954	456	9	14,676	17,330

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

9. Property, plant and equipment (continued)

	Computers $'000	Furniture and fittings $'000	Motor vehicles $'000	Plant and equipment $'000	Leasehold improvements $'000	Freehold strata property unit $'000	Leasehold land and building under construction $'000	Total $'000
(Audited)								
Cost:								
At 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	–	–	–	–	–	(3,067)	–	(3,067)
At 31 October 2019	873	176	3,505	1,881	60	–	14,312	20,807
Accumulated depreciation:								
At 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	–	–	–	–	–	(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 2019	185	27	2,082	284	15	–	14,312	16,905

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 period, the borrowing costs capitalised as cost of leasehold land and building amounted to $125,000 (31.10.2019: $152,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.83% (31.10.2019: 2.95%) per annum, which is the effective interest rate of the specific borrowing (Note 17).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

9. Property, plant and equipment (continued)

Assets held under finance lease

During the financial period, the Group traded in motor vehicle of $557,000 in exchange of motor vehicle with an aggregate cost of $566,000 (31.10.2019: $634,000). As a result of the trade in, the Group made an additional top up on the finance lease of $23,000. During the financial year ended 31 October 2019, the Group acquired motor vehicles with an aggregate of $634,000 by means of finance lease. The cash outflow on acquisition of property, plant and equipment amounted to $767,000 (31.10.2019: $15,144,000).

The carrying amounts of the motor vehicles held under finance leases were $1,059,000 and $1,073,000 as at 30 April 2020 and 31 October 2019 respectively.

Assets pledged as security

The Group's leasehold land and building with a carrying amount of $14,676,000 (31.10.2019: $14,312,000) are mortgaged to secure the Group's bank loan.

10. Investment properties

	Freehold strata property unit $'000	Leasehold strata property unit $'000	Total $'000
(Unaudited)			
Cost:			
At 1 November 2019 and 30 April 2020	3,067	2,751	5,818
Accumulated depreciation:			
At 1 November 2019	122	299	421
Depreciation for the period	31	53	84
At 30 April 2020	153	352	505
Net carrying amount:			
At 30 April 2020	2,914	2,399	5,313

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

10. Investment properties (continued)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

10. Investment properties (continued)

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

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Rental income from investment properties	86	37

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

11. Trade receivables

	30 April 2020 S$'000 (Unaudited)	31 October 2019 S$'000 (Audited)
Trade receivables*		
– Current	65,385	60,008
Allowance for impairment	(600)	(600)
	64,785	59,408

* Included in trade receivables is retention receivables of $1,866,670 and $4,072,000 as at 30 April 2020 and 31 October 2019 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.

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:

	30 April 2020 S$'000 (Unaudited)	31 October 2019 S$'000 (Audited)
– Less than 3 months	36,591	26,194
– 3 to 6 months	6,933	10,661
– Over 6 months to 1 year	4,668	12,670
– More than 1 year	17,193	10,483
	65,385	60,008

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

11. Trade receivables (continued)

Trade receivables (continued)

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 $600,000 made since 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 $39,659,000 (31.10.2019: $35,818,000) 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:

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Trade receivables past due but not impaired:		
– Past due less than 3 months	13,118	8,700
– Past due 3 to 6 months	7,662	12,158
– Past due more than 6 months to 1 year	2,391	10,383
– Past due more than 1 year	16,488	4,577
	39,659	35,818

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

11. Trade receivables (continued)

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:

	Trade receivables $'000	Contract assets $'000	Total $'000
30 April 2020			
(Unaudited)			
Movement in allowance accounts:			
At 1 November 2019	600	–	600
Charge for the period	–	–	–
At 30 April 2020	600	–	600

	Trade receivables $'000	Contract assets $'000	Total $'000
31 October 2019			
(Audited)			
Movement in allowance accounts:			
At 1 November 2018	600	–	600
Charge for the year	–	–	–
At 31 October 2019	600	–	600

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

12. Other receivables, deposits and prepayment

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Deposits	2,005	1,651
Prepayments	1,235	1
Other receivables		
– Related parties	45	45
– Non-related parties	506	308
– Loan receivables	6,343	–
– Government grant receivables	368	–
	10,502	2,005

Deposits include deposits paid in respect of office leases and tenders as well as those in connection with professional services and construction projects. Prepayment mostly relate to workers accommodation.

Other receivables mainly relate to employee loans, 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.

Loan receivables pertains to trade receivables from the customer and was reclassified to loan receivables upon entering of a loan agreement. A subsidiary of the Group entered into a loan agreement with a customer on 20 March 2020 to convert trade receivables of $6,300,000 into an interest-bearing loan at 6% p.a. The loan is repayable on 20 September 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

13. Contract assets/liabilities

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

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Construction contracts:		
Contract assets	28,853	45,417
Contract liabilities	23,664	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 and contract liabilities is an amount of $24,283,015 (2019: $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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

13. Contract assets/liabilities (continued)

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

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Contract asset reclassified to receivables	(19,700)	(21,049)
Right to consideration for work completed but not yet billed	3,136	27,591

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

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period/year	3,338	14,290
Advance received from customers	(19,204)	(1,984)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

13. Contract assets/liabilities (continued)

(iii) Unsatisfied performance obligations

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 30 April 2020/31 October 2019		
Construction contracts		
Within one year	86,843	176,131
More than one year	263,337	131,855
	350,180	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

14. Cash and cash equivalents

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Cash at banks	46,296	22,785
Short-term bank deposits	2,000	8,401
Cash and cash equivalents in the consolidated statement of cash flows	48,296	31,186

The carrying amounts of cash and cash equivalents denominated in United States Dollars and Hong Kong Dollars amounted to $893,100 (31.10.2019: $1,002,000) and $519,400 (31.10.2019: $737,000), 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

15. Trade and retention payables

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Current		
Trade payables	11,214	14,477
Retention payables	12,149	9,772
Accrued construction costs	6,091	9,841
	29,454	34,090
Non-current		
Retention payables	521	1,506

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

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
– Less than 3 months	10,270	13,562
– 3 to 6 months	19	37
– Over 6 months to 1 year	43	73
– More than 1 year	882	805
	11,214	14,477

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

15. Trade and retention payables (continued)

Retention payables were not yet past due as at 30 April 2020 and 31 October 2019 and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

16. Provision

Provision for onerous contracts

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Balance for the period/year	39	–
Arose during the period/year	2,059	434
Utilised	(663)	(395)
	1,435	39

During the period, the Group provided $2,059,000 (31.10.2019: $434,000) 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

17. Borrowings

	Maturity	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Current			
SGD bank loan	2034	720	720
Non-current			
SGD bank loan	2034	9,420	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 9) 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%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

18. Share capital and share premium

Authorised ordinary shares

	Number of shares '000	Share capital HK$'000
As at 31 October 2019 and 30 April 2020	10,000,000	100,000

Ordinary shares

	Number of shares issued and fully paid '000	Share capital $'000	Share premium $'000
As at 31 October 2019 and 30 April 2020	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.

19. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

20. Commitments

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:

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Within one year	197	188
Two to five years	152	246
	349	434

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

20. Commitments (continued)

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 30 April 2020 $'000 (Unaudited)	Present value of minimum lease payments 30 April 2020 $'000 (Unaudited)	Future minimum lease payments 31 October 2019 $'000 (Audited)	Present value of minimum lease payments 31 October 2019 $'000 (Audited)
Within one year	117	101	118	100
Between two and five years	456	392	462	394
More than five years	122	106	143	122
Total minimum lease payments	695	599	723	616
Less: Amounts representing finance charges	(96)	–	(107)	–
Present value of minimum lease payments	599	599	616	616

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2020

21. Related party disclosures

(a) Transactions

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

	Six Months Ended 30 April	
	2020 $'000 (Unaudited)	2019 $'000 (Unaudited)
Olivine Capital Pte. Ltd.		
Other income	43	–

22. 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 retention payables approximate their fair values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Six Months Ended 30 April 2020

22. Fair value of assets and liabilities (continued)

Financial instruments by category

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

	30 April 2020 $'000 (Unaudited)	31 October 2019 $'000 (Audited)
Financial assets at amortised cost	123,583	92,599
Financial liabilities at amortised cost	50,360	54,725

The Group did not have any financial assets and liabilities measured at fair value as at 31 October 2019 and 30 April 2020. During the reporting periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

23. Authorisation of interim condensed consolidated financial statements for issue

The financial statements for the six-month period ended 30 April 2020 were authorised for issue in accordance with a directors' resolution dated 29 June 2020.