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HPC HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1742)

ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 APRIL 2018

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 2018 (the “**interim period**”) together with the corresponding comparative figures (the “**interim financial statements**”). This information should be read in conjunction with the prospectus of the Company dated 27 April 2018 (the “**Prospectus**”).

BUSINESS REVIEW

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

The shares of the Company were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**SEHK**”) on 11 May 2018 (the “**Listing**”).

Group Strategy

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 believes it 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.

FINANCIAL REVIEW

Demand for the local construction market sentiment remained subdued during the six months ended 30 April 2018. Due to subsiding demand for construction works, competition for local construction works has become more intense with competitors reducing their required margins and some even up to their costs level to maintain survivability in the local construction market. This has the effect of lowering the overall margins requirement as a whole for local construction market. Market participants have resorted to pricing wars while the local government stressed on other non-monetary importance such as quality and safety issues.

As a result, local construction sector contracted by 5.0% year-on-year, the same pace of decline as in the previous quarter.

Revenue and Gross Profit

The Group registered a 18.6% increase in revenue for the six months ended 30 April 2018 as compared with the six months ended 30 April 2017 from approximately S\$88.7 million to approximately S\$105.3 million. Revenue increased as a result of several ongoing projects entering their higher activities phase. With higher activities, higher revenue recognition for construction work done was recorded.

Although higher revenue were recorded during the period under review, the gross profit of the Group logged a much lower profit from approximately S\$20.2 million for the six months ended 30 April 2017 to approximately S\$14.2 million for the corresponding six months ended 30 April 2018. The lower gross profit recorded is mainly due to recent awarded projects bear lower profit margins as compared to previous years' projects following intense market competition in the local construction industry.

Profit margin for the six months ended 30 April 2017 appears higher is also attributable to certain costs savings recognised for some near completion projects for that period.

Other Income

Other income of the Group for the six months ended 30 April 2018 is decreased by approximately S\$138,000 primarily due to lesser government grant received. For the six months ended 30 April 2017, there was a one-off government grant received for adopting a construction method promoted by the local government of approximately S\$194,000.

Administrative Expenses

The Group incurred lesser administrative expenses for the six months ended 30 April 2018 compared to the six months ended 30 April 2017. Administrative expenses fell by approximately S\$0.9 million from approximately S\$4.6 million to S\$3.7 million, mainly due to lesser listing expenses incurred for the six months ended 30 April 2018. Listing expenses for the six months ended 30 April 2017 recorded approximately S\$1.9 million compared to approximately S\$1.3 million for the six months ended 30 April 2018.

Income Tax Expense

Amid lower profit recognised, income tax expenses decrease accordingly. However, noted that the rate of decrease in income tax expenses was higher than the rate of the decrease in profit, which was mainly caused by a tax refund recognised for the six months ended 30 April 2018 and higher listing expenses recorded for the corresponding period ended 30 April 2017. The tax refund relate to tax adjustments made as mentioned in the Prospectus.

Profit After Tax

As a result of the combined effects mentioned above, profit after tax attributable to owners of the Company declined by approximately S\$3.7 million from approximately S\$12.9 million to approximately S\$9.2 million.

Dividends

The Company declared and fully paid interim dividends to equity holders of the Company with an aggregate amount of S\$23,850,000 during the six months ended 30 April 2018 prior to the Listing.

The Board does not recommend to declare any further interim dividend for the six months ended 30 April 2018.

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 workforce. The Group's primarily uses of cash are to subcontractors, suppliers and on manpower needs. The Group has been depending on its internal generated fund to support its working capital needs. With proven track record in costs management coupled with the 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 1.6 and 1.8 as at 30 April 2018 and 31 October 2017, respectively.

Borrowings and Gearing

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

Gearing ratios (defined as total borrowings divided by total equity) of the Group are 0.2% and 0.2% as at 30 April 2018 and 31 October 2017, respectively.

Foreign Exchange Exposure

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

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

Charges on Group's Assets

As at 30 April 2018, none of the Group's assets were charged to any parties or financial institutions.

Contingent Liabilities and Financial Guarantees

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

As at 30 April 2018, there is no financial guarantee granted to third parties.

Capital Expenditure and Capital Commitments

The Group expects capital expenditures of approximately S\$3.4 million (HK\$20.0 million) for the financial year ending 31 October 2018.

As at 30 April 2018, capital expenditures have reached S\$0.7 million (HK\$4.1 million).

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 six months ended 30 April 2018.

EMPLOYEE INFORMATION

As at 30 April 2018, the Group had 1,045 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\$13.3 million (2017: S\$11.3 million) for the six months ended 30 April 2018.

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

PROSPECTS

The Ministry of Trade and Industry of Singapore announced on 24 May 2018 that it expected gross domestic product growth of Singapore for 2018 to come in at a range of 2.5% to 3.5%. The Singapore economy grew by 4.4% on a year-on-year basis in the first quarter of 2018, higher than 3.6% in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 1.7%, moderating from 2.1% growth in the preceding quarter.

Construction sector contracted by 5.0% year-on-year, the same pace of decline as in the previous quarter. Construction output was weighed down by continued weakness in both public and private sector construction activities. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 1.7%, reversing the 0.2% contraction in the preceding quarter.

As can be seen, construction sector in Singapore for the last few quarters was in a subdued mood. Competition for construction works has become intense with margins severely depleted. Having said that, with the recent increased en bloc activities in Singapore's property development arena, demand for construction works is expected to recover.

Although the market environment for construction works in recent months was intense, the Group managed to clinch 3 additional projects with total contract sum of approximately S\$134.0 million (HK\$790.6 million) up to 30 April 2018. This brings the order book of the Group to S\$325.0 million (HK\$1,917.5 million) as at 30 April 2018. The order book will generate revenue for the Group up to the financial year ending 30 October 2020.

RECENT DEVELOPMENT

The Company successfully listed its shares on the Main Board of the SEHK on 11 May 2018 and issued a total of 400,000,000 shares by way of Hong Kong Public Offering and International Placing at a price of HK\$0.45 each. The net proceeds from the shares offered and placed in connection with the Listing amounted to approximately HK\$124.4 million. Please also refer to Note 12 for the subsequent events after 30 April 2018.

SHARE OPTION SCHEME

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

No share options were granted or outstanding for the six months ended 30 April 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) was not applicable to the Company during the period ended 30 April 2018 as the shares of the Company were not yet listed on the SEHK as at 30 April 2018. The Company has adopted the Model Code as its code of conduct regarding directors’ securities transactions upon Listing and all Directors have confirmed, upon specific enquiry made, that they complied with the Model Code from the date of Listing up to the date of this announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) were not applicable to the Company for the period ended 30 April 2018 as the shares of the Company were not yet listed on the SEHK as at 30 April 2018. The Company has adopted and complied with the code provisions, where applicable, with the exception of code provision A.2.1, upon Listing.

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 the 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 was established on 19 April 2018 which 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 review of the Group’s unaudited interim financial statements for the six months ended 30 April 2018.

The interim financial statements for the six months ended 30 April 2018 have not been audited nor reviewed by the Group’s auditors.

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

During the interim period, neither the Company nor any of its subsidiaries of the Company purchased, sold or redeemed any of the Company’s listed securities.

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the SEHK on 11 May 2018. Net proceeds arising from the Listing amounted to approximately HK\$124.4 million. These proceeds are intended to be applied in accordance with the proposed application as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Any net proceeds that were not immediately applied have been temporarily deposited with banks in Hong Kong and Singapore at the date of this announcement.

DISCLOSURE ON THE WEBSITES OF THE SEHK AND THE COMPANY

This announcement is published on the website of the SEHK (<http://www.hkexnews.hk>) and on the website of Company (<http://www.hpc.sg>).

By Order of the Board
HPC Holdings Limited
Wang Yingde
Chairman & Chief Executive Officer

Singapore, 27 June 2018

As at the date of this announcement, the Board comprises Mr. Wang Yingde and Mr. Shi Jianhua as executive Directors; and Mr. Zhu Dong, Mr. Leung Wai Yip, Ms. Ng King Wai Diana and Mr. Ong Toon Lian as independent non-executive Directors.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Six Months Ended 30 April 2018

		Six Months Ended 30 April	
		2018	2017
	Note	S\$'000	S\$'000
		(Unaudited)	(Unaudited)
Revenue	3	105,258	88,745
Cost of work done	4	<u>(91,037)</u>	<u>(68,501)</u>
Gross profit		14,221	20,244
Other income	3	302	440
Other losses, net		(25)	(34)
Administrative expenses	4	<u>(3,704)</u>	<u>(4,592)</u>
Operating profit		10,794	16,058
Finance income		30	130
Finance costs		(3)	(3)
Finance income, net		<u>27</u>	<u>127</u>
Profit before income tax		10,821	16,185
Income tax expenses	5	<u>(1,660)</u>	<u>(3,288)</u>
Profit and total comprehensive income attributable to owners of the Company		<u>9,161</u>	<u>12,897</u>
Earnings per share for profit attributable to owners of the Company (expressed in S cents per share)	6	<u>0.8</u>	<u>1.1</u>
Dividends	7	<u>23,850</u>	<u>–</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 April 2018

		30 April 2018	31 October 2017
	<i>Note</i>	S\$'000	S\$'000
		(Unaudited)	
ASSETS			
Non-current assets			
Property, plant and equipment	8	4,998	4,663
Retention receivables	9	9,006	10,123
Investment property		2,630	2,675
Intangible assets		1,102	2,204
		17,736	19,665
Current assets			
Trade and retention receivables	9	55,080	51,121
Other receivables, deposits and prepayments		1,804	977
Amounts due from customers for contract works	10	26,641	24,211
Cash and cash equivalents	11	14,998	27,792
		98,523	104,101
Total assets		116,259	123,766
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	2	2
Share premium	12	45,721	45,721
Capital reserves	13	(26,972)	(26,972)
Retained profits		29,023	43,712
Total equity		47,774	62,463
LIABILITIES			
Non-current liabilities			
Finance lease liabilities		50	74
Retention payables	14	5,505	2,902
Deferred income tax liabilities		213	400
		5,768	3,376

		30 April 2018	31 October 2017
	<i>Note</i>	S\$'000	S\$'000
		(Unaudited)	
Current liabilities			
Trade and retention payables	14	33,333	31,617
Other payables and accruals		2,723	3,791
Amounts due to customers for contract works	10	22,668	15,372
Finance lease liabilities		55	62
Current income tax payables		3,938	7,085
		62,717	57,927
Total liabilities		68,485	61,303
Total equity and liabilities		116,259	123,766

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six Months Ended 30 April 2018

	Attributable to owners of the Company				
	Share capital S\$'000	Share premium S\$'000	Capital reserves S\$'000	Retained profits S\$'000	Total equity S\$'000
Balance at 1 November 2017	2	45,721	(26,972)	43,712	62,463
Comprehensive income					
Profit for the period	—	—	—	9,161	9,161
Total comprehensive income	—	—	—	9,161	9,161
Transactions with owners					
Dividends (<i>Note 7</i>)	—	—	—	(23,850)	(23,850)
Total transactions with owners, recognised directly in equity	—	—	—	(23,850)	(23,850)
Balance at 30 April 2018 (Unaudited)	<u>2</u>	<u>45,721</u>	<u>(26,972)</u>	<u>29,023</u>	<u>47,774</u>
Balance at 1 November 2016	2	45,721	(26,972)	36,388	55,139
Comprehensive income					
Profit for the period	—	—	—	12,897	12,897
Total comprehensive income	—	—	—	12,897	12,897
Balance at 30 April 2017 (Unaudited)	<u>2</u>	<u>45,721</u>	<u>(26,972)</u>	<u>49,285</u>	<u>68,036</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended 30 April 2018

		Six Months Ended 30 April	
		2018	2017
	<i>Note</i>	S\$'000	S\$'000
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit before income tax		10,821	16,185
Adjustments for:			
– Depreciation of property, plant and equipment and investment property		302	369
– Amortisation of intangible assets		1,102	1,102
– Gain on disposal of property, plant and equipment		(12)	(10)
– Interest expenses		3	3
– Interest income		(30)	(129)
		12,186	17,520
Changes in working capital:			
– Amounts due from/to customers on contract works		9,367	8,552
– Trade and retention receivables		(11,653)	(4,298)
– Other receivables, deposits and prepayments		(456)	(1,719)
– Trade and retention payables		22,813	(4,688)
– Other payables and accruals		(15,622)	(4,622)
Cash generated from operations		16,635	10,745
Interest received		30	129
Income tax paid		(4,994)	(4,774)
Net cash generated from operating activities		11,671	6,100
Cash flows from investing activities			
Purchases of plant and equipment	8	(605)	(384)
Proceeds from disposal of plant and equipment		25	10
Net cash used in investing activities		(580)	(374)
Cash flows from financing			
Dividends paid	7	(23,850)	–
Net (repayment of)/proceed from finance lease liabilities		(35)	40
Net cash (used in)/generated from financing activities		(23,885)	40
Net (decrease)/increase in cash and cash equivalents		(12,794)	5,766
Cash and cash equivalents at beginning of the period		27,792	41,426
Cash and cash equivalents at end of the period		14,998	47,192

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information of the Group

The Company was incorporated in the Cayman Islands on 13 October 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

Exchange rate S\$1.0:HK\$5.9 unless otherwise stated.

1.2 Reorganisation

Upon completion of the Group reorganisation (the "**Reorganisation**") as set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus dated 27 April 2018, the Company became the holding company of its subsidiaries now comprising the Group. Upon completion of the Reorganisation and as at the date of this announcement, the Company has direct and indirect interests in the following subsidiaries:

Name of companies	Principal activities	Country of operation/ incorporation	Date of incorporation	Particulars of share capital	Effective interest held as at	
					30 April 2018	31 October 2017
					%	%
Directly owned:						
HPC Investments Limited (i)	Investment holding	British Virgin Islands	13 October 2016	US\$1	100%	100%
DHC Investments Limited (i)	Investment holding	British Virgin Islands	13 October 2016	US\$1	100%	100%
Indirectly owned:						
HPC Builders Pte. Ltd. (ii)	General Contractors	Singapore	18 November 2004	S\$15,000,000	100%	100%
DHC Construction Pte Ltd. (ii)	General Contractors	Singapore	18 January 2013	S\$3,000,000	100%	100%

Notes:

- (i) No audited financial statements for these subsidiaries were issued as there was no statutory requirement.
- (ii) The statutory financial statements of these subsidiaries for the year ended 31 October 2017 were audited by PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants.

1.3 Basis of presentation and principal accounting policies

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by HPC Builders Pte Ltd (“**HPC Builders**”). The Company has not been involved in any business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the consolidated financial information of the subsidiaries now comprising the Group is presented using the carrying values of the Listing Business for all periods presented.

The same accounting policies and methods of computation have been applied in the preparation of the interim consolidated financial statements as the most recent audited financial statements as at 31 October 2017.

For the current period, the Group has applied all the new and revised International Financial Reporting Standards (“**IFRS**”) as well as amendments to and interpretation of IFRS that are relevant to its operations and effective of financial periods beginning on or after 1 January 2018. The adoption of these new and revised IFRS does not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior financial periods.

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

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

¹ Effective for annual periods beginning on or after 1 January 2018

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

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for annual periods beginning on or after a date to be determined

2 SEGMENT INFORMATION

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

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

The segment information provided to the Exco for the reportable segments are as follows:

	General building construction S\$'000 (Unaudited)	Civil engineering S\$'000 (Unaudited)	Total S\$'000
30 April 2018			
Total segment sales	96,038	9,220	105,258
Gross profit	11,697	2,524	14,221
Depreciation	281	–	281
Amortisation of intangible assets	949	153	1,102
Segment assets	90,090	1,739	91,829
Segment liabilities	61,506	–	61,506
	General building construction S\$'000 (Unaudited)	Civil engineering S\$'000 (Unaudited)	Total S\$'000
30 April 2017			
Total segment sales	86,216	2,529	88,745
Gross profit	19,736	508	20,244
Depreciation	434	–	434
Amortisation of intangible assets	949	153	1,102
Segment assets	85,510	2,348	87,858
Segment assets include:			
Additions in:			
– property, plant and equipment	41	–	41
Segment liabilities	49,866	25	49,891

Reconciliations

(i) Segment profits

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

	Six Months Ended 30 April	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Gross profit for reportable segments and others	14,221	20,244
Other income	302	440
Other losses, net	(25)	(34)
Administrative expenses	(3,704)	(4,592)
Finance income	30	130
Finance costs	(3)	(3)
Profit before taxation	10,821	16,185

(ii) Segment assets

The amounts reported to the Exco with respect to total assets are measured in a manner consistent with that of the Historical Financial Information as stated in the Prospectus. 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	31 October
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	
Segment assets for reportable segments	91,829	87,858
Unallocated:		
Property, plant and equipment	4,998	4,464
Investment property	2,630	2,675
Other receivables, deposits and prepayments	1,804	977
Cash and cash equivalents	14,998	27,792
	116,259	123,766

(iii) *Segment liabilities*

The amounts reported to the Exco with respect to total liabilities are measured in a manner consistent with that of the Historical Financial Information as stated in the Prospectus. 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 2018 S\$'000 (Unaudited)	31 October 2017 S\$'000
Segment liabilities for reportable segments	61,506	49,891
Unallocated:		
Finance lease liabilities	105	136
Other payables and accruals	2,723	3,791
Deferred income tax liabilities	213	400
Current income tax payables	3,938	7,085
	68,485	61,303

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

3 REVENUE AND OTHER INCOME

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

	Six Months Ended 30 April 2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Revenue:		
Construction contract revenue	105,258	88,745
	Six Months Ended 30 April 2018 S\$'000 (Unaudited)	2017 S\$'000 (Unaudited)
Other income:		
Government grants	53	249
Sales of scrap materials	108	62
Rental income	74	55
Others	67	74
	302	440

4 EXPENSES BY NATURE

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

	Six Months Ended 30 April	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Materials, sub-contractors and other construction costs	78,417	58,096
Auditors' remuneration		
– Audit services	20	20
Depreciation		
– Property, plant and equipment (<i>Note 8</i>)	257	369
– Investment property	45	–
Amortisation of intangible assets	1,102	1,102
Employee compensation	13,272	11,278
Operating lease rentals	59	60
Entertainment and transportation	224	111
Professional fees	18	32
Listing expenses	1,310	1,902
Write back of trade and other receivables	(161)	(164)
Others	178	287
Total cost of sales and administrative expenses	94,741	73,093

5 INCOME TAX EXPENSES

	Six Months Ended 30 April	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Tax expense attributable to profit before income tax is made up of:		
Current income tax	2,212	3,382
Deferred income tax	(187)	(187)
	2,025	3,195
– (Over)/Under provision in prior years	(365)	93
	1,660	3,288

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

	Six Months Ended 30 April	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Profit before income tax	10,821	16,185
Tax calculated at a tax rate of 17.0% (2017: 17.0%)	1,840	2,751
Effects of:		
Expenses not deductible for tax purposes	286	600
Tax incentives	–	(37)
Statutory stepped income exemption	(52)	(52)
Utilisation of capital allowances	(29)	(27)
(Over)/Under provision in prior years	(365)	93
Tax rebate	(20)	(40)
	1,660	3,288

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The fully diluted earnings per share are the same as the basic earnings per share as there is no dilutive potential ordinary share.

The calculation of basic earnings per share for the six months ended 30 April 2018 is based on the profit and total comprehensive income attributable to owners of the Company of approximately S\$9,161,000 (2017: S\$12,897,000) and on the weighted average number of 1,200,000,000 (2017: 1,200,000,000) ordinary shares in issue during the period. For the six months ended 30 April 2018, and its comparatives as adjusted retrospectively; the weighted average number of shares is based on the assumption that 1,200,000,000 are issued and issuable, comprising an aggregate of 1,000,000 ordinary shares in issue and 1,199,000,000 ordinary shares issuable upon capitalisation of shares (Note 12) pursuant to a resolution passed on 19 April 2018.

	Six Months Ended 30 April	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company (S\$'000)	9,161	12,897
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	1,200,000	1,200,000
Basic and diluted earnings per share (<i>S cents</i>)	0.8	1.1

7 DIVIDENDS

The dividends declared and paid by the subsidiaries now comprising the Group to their then shareholders during the six months ended 30 April 2018 and 30 April 2017, respectively, were as follows:

	Six Months Ended 30 April	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Interim dividends	23,850	–

Pursuant to Board Resolutions passed on 3 April 2018 and 17 April 2018, interim dividends of S\$13,850,000 and S\$10,000,000, respectively with an aggregate amount of S\$23,850,000 (2017: S\$Nil) were declared and fully paid to equity holders of the Company during the six months ended 30 April 2018.

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 announcement.

The Board does not recommend to declare any further interim dividend for the six months ended 30 April 2018.

8 PROPERTY, PLANT AND EQUIPMENT

	Computers S\$'000	Furniture & fittings S\$'000	Motor vehicles S\$'000	Plant & equipment S\$'000	Leasehold improvement S\$'000	Freehold property S\$'000	Total S\$'000
Balance at 31 October 2017							
Cost	625	144	2,171	1,611	25	3,067	7,643
Accumulated depreciation	(482)	(98)	(963)	(1,412)	(25)	–	(2,980)
Net book amount	143	46	1,208	199	–	3,067	4,663
Balance at 30 April 2018 (unaudited)							
Opening net book amount	143	46	1,208	199	–	3,067	4,663
Transfers							
Additions	48	14	491	21	31	–	605
Disposal							
– cost	–	–	(131)	–	–	–	(131)
– accumulated depreciation	–	–	118	–	–	–	118
Depreciation	(51)	(11)	(127)	(63)	(5)	–	(257)
Closing net book amount	140	49	1,559	157	26	3,067	4,998
Balance at 30 April 2018 (unaudited)							
Cost	673	158	2,531	1,632	56	3,067	8,117
Accumulated depreciation	(533)	(109)	(972)	(1,475)	(30)	–	(3,119)
Net book amount	140	49	1,559	157	26	3,067	4,998

	Computers S\$'000	Furniture & fittings S\$'000	Motor vehicles S\$'000	Plant & equipment S\$'000	Leasehold improvement S\$'000	Freehold property S\$'000	Total S\$'000
Balance at 31 October 2016							
Cost	538	106	2,010	1,570	25	–	4,249
Accumulated depreciation	(403)	(87)	(870)	(978)	(23)	–	(2,361)
Net book amount	135	19	1,140	592	2	–	1,888
Balance at 31 October 2017							
Opening net book amount	135	19	1,140	592	2	–	1,888
Transfers	–	–	–	–	–	3,067	3,067
Additions	87	38	401	41	–	–	567
Disposal							
– cost	–	–	(240)	–	–	–	(240)
– accumulated depreciation	–	–	143	–	–	–	143
Depreciation	(79)	(11)	(236)	(434)	(2)	–	(762)
Closing net book amount	143	46	1,208	199	–	3,067	4,663
Balance at 31 October 2017							
Cost	625	144	2,171	1,611	25	3,067	7,643
Accumulated depreciation	(482)	(98)	(963)	(1,412)	(25)	–	(2,980)
Net book amount	143	46	1,208	199	–	3,067	4,663

Included within additions are motor vehicles acquired under finance leases amounting to S\$Nil and S\$136,000 as at 30 April 2018 and 31 October 2017, respectively. The carrying amounts of the motor vehicles held under finance leases were S\$600,000 and S\$646,000 as at 30 April 2018 and 31 October 2017, respectively.

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

	30 April 2018 S\$'000 (Unaudited)	31 October 2017 S\$'000
Current portion		
Trade receivables (<i>Note (a)</i>)		
– Related parties	–	409
– Non-related parties	45,216	37,172
	<u>45,216</u>	<u>37,581</u>
Retention receivables (<i>Note (b)</i>)		
– Non-related parties	<u>9,864</u>	<u>13,540</u>
	<u>55,080</u>	<u>51,121</u>
Non-current portion		
Retention receivables (<i>Note (b)</i>)		
– Non-related parties	<u>9,006</u>	<u>10,123</u>

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

(a) Trade receivables

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

	30 April 2018 S\$'000 (Unaudited)	31 October 2017 S\$'000
Less than 3 months	34,795	24,545
3 to 6 months	384	8,268
6 months to 1 year	2,295	984
More than 1 year	<u>7,742</u>	<u>3,784</u>
	<u>45,216</u>	<u>37,581</u>

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. 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.

As at 30 April 2018 and 31 October 2017, respectively, trade receivables of approximately S\$32,453,000 and S\$26,951,000 were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	30 April 2018 S\$'000 (Unaudited)	31 October 2017 S\$'000
Overdue:		
Less than 3 months	23,029	20,351
3 to 6 months	405	1,836
6 months to 1 year	1,983	1,411
More than 1 year	7,036	3,353
	32,453	26,951

(b) Retention receivables

Retention receivables were not yet past due as at 30 April 2018 and 31 October 2017, respectively and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

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

	30 April 2018 S\$'000 (Unaudited)	31 October 2017 S\$'000
Contract costs incurred plus recognised profits less recognised losses	1,046,502	1,043,000
Less: progress billings	(1,042,529)	(1,034,161)
Balance at end of period/year	3,973	8,839
Analysed for reporting purposes as:		
Amounts due from customers for contract works	26,641	24,211
Amounts due to customers for contract works	(22,668)	(15,372)
	3,973	8,839

11 CASH AND CASH EQUIVALENTS

	30 April 2018 S\$'000 (Unaudited)	31 October 2017 S\$'000
Cash at banks	14,998	20,339
Short-term bank deposits	–	7,453
	<u>14,998</u>	<u>27,792</u>

The carrying amounts of cash and cash equivalents denominated in United States dollars amounted to S\$1,219,000 (2017: S\$1,136,000) and the remaining balances are denominated in Singapore dollars.

12 SHARE CAPITAL AND SHARE PREMIUM

The Company was incorporated on 13 October 2016 in the Cayman Islands with an authorised share capital of 38,000,000 ordinary shares of HK\$0.01 (S\$0.002) each.

	Number of shares issued and fully paid '000	Share capital S\$'000	Share premium S\$'000
30 April 2018 (unaudited)			
Beginning and end of financial interim period	<u>1,000</u>	<u>2</u>	<u>45,721</u>
31 October 2017			
Beginning and end of financial year	<u>1,000</u>	<u>2</u>	<u>45,721</u>

Pursuant to written resolutions passed on 19 April 2018, it was resolved, amongst other things:

- a) The authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of 9,962,000,000 shares of HK\$0.01 each, which shall rank pari passu in all respects with the shares in issue.
- b) Conditional upon (i) the Listing Committee of the SEHK granting the listing of, and permission to deal in, on the Main Board, the shares in issue and to be issued as mentioned in the Prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - i. The Company approved and adopted a Share Option Scheme, the principle terms of which are set out in Appendix V – Statutory and General Information in the Prospectus dated 27 April 2018.

- ii. Conditional on the share premium account of the Company being credited as a result of the Global Offering:
 1. the Company do allot and issue a total number of 1,199,000,000 shares (the “**Capitalisation Shares**”), credited as fully paid at par, to the existing shareholders of the Company on a pro rata basis by way of capitalisation of the sum of HK\$11,990,000 standing to the credit of the share premium account of the Company, and the Capitalisation Shares be allotted and issued shall rank pari passu in all respects with the existing issued shares; and
 2. the names of the shareholders of the Company receiving the respective number of Capitalisation Shares be entered on the register of members of the Company as holders of such number of Capitalisation Shares allotted and issued to it.

Subsequently on 11 May 2018, the Company successfully listed its shares on the Main Board of the SEHK and issued a total of 400,000,000 shares by way of Hong Kong Public Offering and International Placing at a price of HK\$0.45 each and thus, the Capitalisation Shares were effected accordingly on the same date.

13 CAPITAL RESERVES

Reserves of the Group prior to completion of the Reorganisation (Note 1.2), represents the share capital of HPC Builders. Reserves of the Group on completion of the Reorganisation represents the difference between the cost of investment of HPC Builders, capital contribution from shareholder and the share capital of HPC Builders.

14 TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 April 2018 S\$'000 (Unaudited)	31 October 2017 S\$'000
Current portion		
Trade payables (<i>Note (a)</i>)		
– Non-related parties	26,891	14,847
Retention payables (<i>Note (b)</i>)		
– Non-related parties	2,811	4,599
Accrued construction costs	3,631	12,171
	33,333	31,617
Non-current portion		
Retention payables (<i>Note (b)</i>)		
– Non-related parties	5,505	2,902

(a) Trade payables

As at 30 April 2018 and 31 October 2017, respectively, the ageing analysis of the trade payables, based on invoice date, are as follows:

	30 April 2018 S\$'000 (Unaudited)	31 October 2017 S\$'000
Less than 3 months	22,276	11,587
3 to 6 months	1,481	140
6 months to 1 year	485	1,826
More than 1 year	2,649	1,294
	26,891	14,847

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

(b) Retention payables

Retention payables were not yet past due as at 30 April 2018 and 31 October 2017, respectively, and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

15 CONTINGENT LIABILITIES

The Group was involved in a few litigation cases related to workplace injuries and disputes with suppliers. As at 30 April 2018 and 31 October 2017, respectively, the Group did not expect material contingent liabilities arising from these litigations.

16 RELATED PARTIES BALANCES AND TRANSACTIONS

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

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

Name of the related party

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

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

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

(b) Transactions

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

	Six Months Ended 30 April	
	2018	2017
	S\$'000	S\$'000
	(Unaudited)	
Construction income		
– Shanghai Construction (Group) General Co Singapore Branch	10	240
Recovery of receivables previously written off		
– Olivine Capital Pte. Ltd.	161	164
Construction cost		
– King Hong Construction & Development Pte. Ltd.	–	114
– Jiestar Engineering Pte. Ltd.	–	74
– Onestar Construction Pte. Ltd.	–	2
– Shanghai Construction (Group) General Co Singapore Branch	–	221
Operating expenses		
– Shanghai Construction (Group) General Co Singapore Branch	–	64