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## **HPC HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1742)**

### **ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 APRIL 2020**

#### **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 boost 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.

## **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 announcement, two of our major 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.

## **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.

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.

## 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.

## 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.

## 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 the Company (<http://www.hpc.sg>).

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

Singapore, 29 June 2020

*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 and Ms. Ng King Wai Diana as independent non-executive Directors.*

## INTERIM RESULTS

The Board of Directors (the “**Board**”) of HPC Holdings Limited (the “**Company**”) is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively “**the Group**”) for the six months ended 30 April 2020 were as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the Six Months Ended 30 April 2020*

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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.

### 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: <i>Definition of a Business</i>                                     | 1 January 2020                                     |
| Amendments to IAS 1 and IAS 8: <i>Definition of Material</i>                              | 1 January 2020                                     |
| Amendments to IAS 37: <i>Onerous Contracts – Cost of Fulfilling a Contract</i>            | 1 January 2022                                     |
| Amendments to IAS 16: <i>Property, Plant and Equipment – Proceeds before Intended Use</i> | 1 January 2022                                     |
| Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-current</i>       | 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.

## 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.

### 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:

|                                                   | <b>General<br/>building<br/>construction</b><br>\$'000 | <b>Civil<br/>engineering</b><br>\$'000 | <b>Total</b><br>\$'000 |
|---------------------------------------------------|--------------------------------------------------------|----------------------------------------|------------------------|
| <b>Six-months ended 30 April 2020 (Unaudited)</b> |                                                        |                                        |                        |
| Total segment revenue to external customers       | 85,966                                                 | 5,496                                  | 91,462                 |
| <b>Gross profit</b>                               | 6,103                                                  | 1,257                                  | 7,360                  |
| Segment assets                                    | 87,009                                                 | 6,629                                  | 93,638                 |
| Segment liabilities                               | 53,091                                                 | 1,983                                  | 55,074                 |
|                                                   | <b>General<br/>building<br/>construction</b><br>\$'000 | <b>Civil<br/>engineering</b><br>\$'000 | <b>Total</b><br>\$'000 |
| <b>Six-months ended 30 April 2019 (Unaudited)</b> |                                                        |                                        |                        |
| Total segment revenue to external customers       | 105,755                                                | 7,935                                  | 113,690                |
| <b>Gross profit</b>                               | 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:

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

(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:

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

(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:

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

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.

#### 4. REVENUE AND OTHER OPERATING INCOME

|                                       | <b>Six Months Ended 30 April</b> |                    |
|---------------------------------------|----------------------------------|--------------------|
|                                       | <b>2020</b>                      | <b>2019</b>        |
|                                       | <b>\$'000</b>                    | <b>\$'000</b>      |
|                                       | <b>(Unaudited)</b>               | <b>(Unaudited)</b> |
| Revenue from contracts with customers |                                  |                    |
| Construction contract revenue         | <b>91,462</b>                    | <b>113,690</b>     |

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

#### Disaggregation of revenue

|                   | <b>Six Months Ended 30 April</b> |                    |
|-------------------|----------------------------------|--------------------|
|                   | <b>2020</b>                      | <b>2019</b>        |
|                   | <b>\$'000</b>                    | <b>\$'000</b>      |
|                   | <b>(Unaudited)</b>               | <b>(Unaudited)</b> |
| By project sector |                                  |                    |
| Public sector     | <b>7,905</b>                     | <b>13,671</b>      |
| Private sector    | <b>83,557</b>                    | <b>100,019</b>     |
|                   | <b>91,462</b>                    | <b>113,690</b>     |

|                                          | <b>Six Months Ended 30 April</b> |                    |
|------------------------------------------|----------------------------------|--------------------|
|                                          | <b>2020</b>                      | <b>2019</b>        |
|                                          | <b>\$'000</b>                    | <b>\$'000</b>      |
|                                          | <b>(Unaudited)</b>               | <b>(Unaudited)</b> |
| Government grants*                       | <b>1,125</b>                     | <b>162</b>         |
| Sales of scrap materials                 | <b>333</b>                       | <b>539</b>         |
| Rental income from investment properties | <b>86</b>                        | <b>–</b>           |
| Others                                   | <b>71</b>                        | <b>41</b>          |
| Other operating income                   | <b>1,615</b>                     | <b>742</b>         |

- \* 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.

## 5. PROFIT BEFORE TAX

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

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

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

## 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:

|                                                 | <b>Six Months Ended 30 April</b> |                    |
|-------------------------------------------------|----------------------------------|--------------------|
|                                                 | <b>2020</b>                      | <b>2019</b>        |
|                                                 | <b>\$'000</b>                    | <b>\$'000</b>      |
|                                                 | <b>(Unaudited)</b>               | <b>(Unaudited)</b> |
| Current income tax                              | <b>409</b>                       | 2,001              |
| Deferred income tax                             | <b>(217)</b>                     | 75                 |
| Over provision in respect of previous years     | <b>(83)</b>                      | (19)               |
| Income tax expense recognised in profit or loss | <b>109</b>                       | 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.

## 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.

|                                                                   | <b>Six Months Ended 30 April</b> |                    |
|-------------------------------------------------------------------|----------------------------------|--------------------|
|                                                                   | <b>2020</b>                      | <b>2019</b>        |
|                                                                   | <b>\$'000</b>                    | <b>\$'000</b>      |
|                                                                   | <b>(Unaudited)</b>               | <b>(Unaudited)</b> |
| Profit for the period attributable to owners of the Company       | <b>4,173</b>                     | <b>9,351</b>       |
|                                                                   | <b>No. of shares</b>             |                    |
|                                                                   | <b>2020</b>                      | <b>2019</b>        |
| Weighted average number of ordinary shares on issue applicable to |                                  |                    |
| Basic and diluted earnings per share (in thousands)               | <b>1,600,000</b>                 | <b>1,600,000</b>   |
| Basic and diluted earnings per share (S cents)                    | <b>0.3</b>                       | <b>0.6</b>         |

## 8. DIVIDENDS

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

## 9. PROPERTY, PLANT AND EQUIPMENT

|                                  | <b>Computers</b> | <b>Furniture and fittings</b> | <b>Motor vehicles</b> | <b>Plant and equipment</b> | <b>Leasehold improvements</b> | <b>Leasehold land and building under construction</b> | <b>Total</b>  |
|----------------------------------|------------------|-------------------------------|-----------------------|----------------------------|-------------------------------|-------------------------------------------------------|---------------|
|                                  | <b>\$'000</b>    | <b>\$'000</b>                 | <b>\$'000</b>         | <b>\$'000</b>              | <b>\$'000</b>                 | <b>\$'000</b>                                         | <b>\$'000</b> |
| <b>(Unaudited)</b>               |                  |                               |                       |                            |                               |                                                       |               |
| <b>Cost:</b>                     |                  |                               |                       |                            |                               |                                                       |               |
| 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                 | <u>969</u>       | <u>176</u>                    | <u>3,514</u>          | <u>2,165</u>               | <u>60</u>                     | <u>14,676</u>                                         | <u>21,560</u> |
| <b>Accumulated depreciation:</b> |                  |                               |                       |                            |                               |                                                       |               |
| 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                 | <u>748</u>       | <u>162</u>                    | <u>1,560</u>          | <u>1,709</u>               | <u>51</u>                     | <u>–</u>                                              | <u>4,230</u>  |
| <b>Net carrying amount:</b>      |                  |                               |                       |                            |                               |                                                       |               |
| At 30 April 2020                 | <u>221</u>       | <u>14</u>                     | <u>1,954</u>          | <u>456</u>                 | <u>9</u>                      | <u>14,676</u>                                         | <u>17,330</u> |

|                                  | Computers<br>\$'000 | Furniture<br>and<br>fittings<br>\$'000 | Motor<br>vehicles<br>\$'000 | Plant<br>and<br>equipment<br>\$'000 | Leasehold<br>improvements<br>\$'000 | Freehold<br>strata<br>property<br>unit<br>\$'000 | Leasehold<br>land and<br>building<br>under<br>construction<br>\$'000 | Total<br>\$'000 |
|----------------------------------|---------------------|----------------------------------------|-----------------------------|-------------------------------------|-------------------------------------|--------------------------------------------------|----------------------------------------------------------------------|-----------------|
| <b>(Audited)</b>                 |                     |                                        |                             |                                     |                                     |                                                  |                                                                      |                 |
| <b>Cost:</b>                     |                     |                                        |                             |                                     |                                     |                                                  |                                                                      |                 |
| 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)         |
|                                  | <u>–</u>            | <u>–</u>                               | <u>–</u>                    | <u>–</u>                            | <u>–</u>                            | <u>–</u>                                         | <u>–</u>                                                             | <u>–</u>        |
| At 31 October 2019               | <u>873</u>          | <u>176</u>                             | <u>3,505</u>                | <u>1,881</u>                        | <u>60</u>                           | <u>–</u>                                         | <u>14,312</u>                                                        | <u>20,807</u>   |
| <b>Accumulated depreciation:</b> |                     |                                        |                             |                                     |                                     |                                                  |                                                                      |                 |
| 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)           |
|                                  | <u>–</u>            | <u>–</u>                               | <u>–</u>                    | <u>–</u>                            | <u>–</u>                            | <u>–</u>                                         | <u>–</u>                                                             | <u>–</u>        |
| At 31 October 2019               | <u>688</u>          | <u>149</u>                             | <u>1,423</u>                | <u>1,597</u>                        | <u>45</u>                           | <u>–</u>                                         | <u>–</u>                                                             | <u>3,902</u>    |
| <b>Net carrying amount:</b>      |                     |                                        |                             |                                     |                                     |                                                  |                                                                      |                 |
| At 31 October 2019               | <u>185</u>          | <u>27</u>                              | <u>2,082</u>                | <u>284</u>                          | <u>15</u>                           | <u>–</u>                                         | <u>14,312</u>                                                        | <u>16,905</u>   |

### 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).

### 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<br>strata<br>property unit<br>\$'000 | Leasehold<br>strata<br>property unit<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------|-----------------------------------------------|------------------------------------------------|-----------------|
| <b>(Unaudited)</b>                          |                                               |                                                |                 |
| <b>Cost:</b>                                |                                               |                                                |                 |
| At 1 November 2019 and 30 April 2020        | <u>3,067</u>                                  | <u>2,751</u>                                   | <u>5,818</u>    |
| <b>Accumulated depreciation:</b>            |                                               |                                                |                 |
| At 1 November 2019                          | 122                                           | 299                                            | 421             |
| Depreciation for the period                 | <u>31</u>                                     | <u>53</u>                                      | <u>84</u>       |
| At 30 April 2020                            | <u>153</u>                                    | <u>352</u>                                     | <u>505</u>      |
| <b>Net carrying amount:</b>                 |                                               |                                                |                 |
| At 30 April 2020                            | <u>2,914</u>                                  | <u>2,399</u>                                   | <u>5,313</u>    |
|                                             | Freehold<br>strata<br>property unit<br>\$'000 | Leasehold<br>strata<br>property unit<br>\$'000 | Total<br>\$'000 |
| <b>(Audited)</b>                            |                                               |                                                |                 |
| <b>Cost:</b>                                |                                               |                                                |                 |
| At 1 November 2018                          | –                                             | 2,751                                          | 2,751           |
| Transfer from property, plant and equipment | <u>3,067</u>                                  | <u>–</u>                                       | <u>3,067</u>    |
| At 31 October 2019                          | <u>3,067</u>                                  | <u>2,751</u>                                   | <u>5,818</u>    |
| <b>Accumulated depreciation:</b>            |                                               |                                                |                 |
| At 1 November 2018                          | –                                             | 167                                            | 167             |
| Transfer from property, plant and equipment | 61                                            | –                                              | 61              |
| Depreciation for the year                   | <u>61</u>                                     | <u>132</u>                                     | <u>193</u>      |
| At 31 October 2019                          | <u>122</u>                                    | <u>299</u>                                     | <u>421</u>      |
| <b>Net carrying amount:</b>                 |                                               |                                                |                 |
| At 31 October 2019                          | <u>2,945</u>                                  | <u>2,452</u>                                   | <u>5,397</u>    |

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

| <b>Location</b>                                                            | <b>Description/<br/>existing use</b>                | <b>Tenure</b>                                       |
|----------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| #01-08, Loyang Enterprise Building Singapore<br>211 Henderson Road, #02-01 | Industrial unit<br>Industrial unit                  | 26 years<br>Freehold                                |
|                                                                            | <b>30 April<br/>2020<br/>\$'000<br/>(Unaudited)</b> | <b>31 October<br/>2019<br/>\$'000<br/>(Audited)</b> |
| Rental income from investment properties                                   | <b>86</b>                                           | <b>37</b>                                           |

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.

## 11. TRADE RECEIVABLES

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

\* 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:

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

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:

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

#### 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:

|                                      | <b>Trade<br/>receivables<br/>\$'000</b> | <b>Contract<br/>assets<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--------------------------------------|-----------------------------------------|---------------------------------------|-------------------------|
| <b>30 April 2020<br/>(Unaudited)</b> |                                         |                                       |                         |
| Movement in allowance accounts:      |                                         |                                       |                         |
| At 1 November 2019                   | <b>600</b>                              | –                                     | <b>600</b>              |
| Charge for the period                | –                                       | –                                     | –                       |
| At 30 April 2020                     | <b>600</b>                              | –                                     | <b>600</b>              |
|                                      | Trade<br>receivables<br>\$'000          | Contract<br>assets<br>\$'000          | Total<br>\$'000         |
| <b>31 October 2019<br/>(Audited)</b> |                                         |                                       |                         |
| Movement in allowance accounts:      |                                         |                                       |                         |
| At 1 November 2018                   | 600                                     | –                                     | 600                     |
| Charge for the year                  | –                                       | –                                     | –                       |
| At 31 October 2019                   | 600                                     | –                                     | 600                     |

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

|                                | <b>30 April<br/>2020<br/>\$'000<br/>(Unaudited)</b> | 31 October<br>2019<br>\$'000<br>(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                                                 | –                                         |
|                                | <b>10,502</b>                                       | <b>2,005</b>                              |

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.

## 13. CONTRACT ASSETS/LIABILITIES

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

|                                | <b>30 April<br/>2020<br/>\$'000<br/>(Unaudited)</b> | 31 October<br>2019<br>\$'000<br>(Audited) |
|--------------------------------|-----------------------------------------------------|-------------------------------------------|
| <i>Construction contracts:</i> |                                                     |                                           |
| 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.

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

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

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

|                                                                                                            | 30 April<br>2020<br>\$'000<br>(Unaudited) | 31 October<br>2019<br>\$'000<br>(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                                                                            | <u>(19,204)</u>                           | <u>(1,984)</u>                            |

(iii) Unsatisfied performance obligations

|                                                                                                                                              | 30 April<br>2020<br>\$'000<br>(Unaudited) | 31 October<br>2019<br>\$'000<br>(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                                                                                                                           | <u>263,337</u>                            | <u>131,855</u>                            |
|                                                                                                                                              | <u>350,180</u>                            | <u>307,986</u>                            |

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.

14. CASH AND CASH EQUIVALENTS

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

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.

## 15. TRADE AND RETENTION PAYABLES

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

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

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

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

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<br>2020<br>\$'000<br>(Unaudited) | 31 October<br>2019<br>\$'000<br>(Audited) |
|------------------------------|-------------------------------------------|-------------------------------------------|
| Balance for the period/year  | 39                                        | –                                         |
| Arose during the period/year | 2,059                                     | 434                                       |
| Utilised                     | (663)                                     | (395)                                     |
|                              | <u>1,435</u>                              | <u>39</u>                                 |

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.

## 17. BORROWINGS

|                    |      | 30 April<br>2020<br>\$'000<br>(Unaudited) | 31 October<br>2019<br>\$'000<br>(Audited) |
|--------------------|------|-------------------------------------------|-------------------------------------------|
| <b>Current</b>     |      |                                           |                                           |
| SGD bank loan      | 2034 | <u>720</u>                                | <u>720</u>                                |
| <b>Non-current</b> |      |                                           |                                           |
| SGD bank loan      | 2034 | <u>9,420</u>                              | <u>9,780</u>                              |

### 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%.

## 18. SHARE CAPITAL AND SHARE PREMIUM

### Authorised ordinary shares

|                                         | Number of<br>shares<br>'000 | Share<br>capital<br>HK\$'000 |
|-----------------------------------------|-----------------------------|------------------------------|
| As at 31 October 2019 and 30 April 2020 | 10,000,000                  | 100,000                      |

### Ordinary shares

|                                         | Number of<br>shares issued<br>and fully paid<br>'000 | Share<br>capital<br>\$'000 | Share<br>premium<br>\$'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.

## 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<br>2020<br>\$'000<br>(Unaudited) | 31 October<br>2019<br>\$'000<br>(Audited) |
|-------------------|-------------------------------------------|-------------------------------------------|
| Within one year   | 197                                       | 188                                       |
| Two to five years | 152                                       | 246                                       |
|                   | 349                                       | 434                                       |

## Finance lease commitments

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

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

|                                               | Future<br>minimum lease<br>payments<br>30 April<br>2020<br>\$'000<br>(Unaudited) | Present<br>value of<br>minimum<br>lease<br>payments<br>30 April<br>2020<br>\$'000<br>(Unaudited) | Future<br>minimum lease<br>payments<br>31 October<br>2019<br>\$'000<br>(Audited) | Present<br>value of<br>minimum<br>lease<br>payments<br>31 October<br>2019<br>\$'000<br>(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<br>finance charges | (96)                                                                             | –                                                                                                | (107)                                                                            | –                                                                                                |
| Present value of minimum<br>lease payments    | 599                                                                              | 599                                                                                              | 616                                                                              | 616                                                                                              |

## 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                      | 2019        |
|                                  | \$'000                    | \$'000      |
|                                  | (Unaudited)               | (Unaudited) |
| <i>Olivine Capital Pte. Ltd.</i> |                           |             |
| 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.

### Financial instruments by category

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

|                                         | <b>30 April<br/>2020<br/>\$'000<br/>(Unaudited)</b> | <b>31 October<br/>2019<br/>\$'000<br/>(Audited)</b> |
|-----------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Financial assets at amortised cost      | <b>123,583</b>                                      | 92,599                                              |
| Financial liabilities at amortised cost | <b>50,360</b>                                       | 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.