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 2022

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 2022 (the "**Interim Period**") together with the comparative figures for the corresponding period in 2021 (the "**Previous Period**").

BUSINESS REVIEW

After more than two years since the onset of COVID-19, more than 90% of Singapore's population has been fully inoculated, as the country continues to prepare to live with COVID-19. While the Omicron variant has brought upon a spike in cases previously, Singapore Government continues its planning to lift social restrictions and reopen the borders, treating the virus as to do with seasonal influenza nationwide. Singapore Government has also established the Vaccinated Travel Lane with quite a number of countries, in order to recover of economic loss due to COVID-19 pandemic. We believe these implementations definitely facilitate the transportation of construction materials and bring a positive effect to construction industry, particularly on pre-cast and pre-fabricated modules (deliver from Malaysia) for HDB housing projects that been most welcomed by Singapore's construction industry.

Even with above implementations to ease COVID-19 impacts on construction industry, we are still facing challenges in anticipation of rising inflation and Russia-Ukraine situation remains unresolved. The Russia-Ukraine situation cause further supply disruption to the construction industry, especially for those major and heavy equipment, building material etc that manufactured and procured from European countries.

With the above headwinds and unforeseen market fluctuations, the Group's tender procedures and pricing strategy are to be more cautious and be more conservative during tendering, in order to capture the volatile of building material price and transportation cost. On 11 November 2021, Group had managed to secure an additional works, namely the LOGOS warehouse addition and alteration works, with a contract sum of S$27,360,429.00. Although the tender outcome is relatively quiet, the Group still manage to sustain a healthy order book value at S$269 million as of 30 April 2022.

During the first half of 2022, the Group has successfully delivered Fu Yu Warehouse and Kim Seng Huat Warehouse projects for Fu Yu Corporation Limited and Kim Seng Huat Hardware Pte Ltd in June 2022. Currently, the Group has 5 on-going projects i.e., Housing Development Board (HDB)-786 Build To Order (BTO) units at Tengah Garden C6, Paradise Central Kitchen Factory, LOGOS/REC new build warehouse and Global International Indian School and the headquarter building of the Group, where Paradise Central Kitchen Factory, LOGOS/REC new build warehouse will be delivered by the 4th quarter of 2022, Global International Indian School will be delivered by the 1st quarter of 2023 and HDB-786 BTO units will be delivered by the 2nd quarter of 2024. The long delayed headquarter building will be finally completed by the 3rd quarter of this year.

FINANCIAL REVIEW

The impact of COVID-19 pandemic to the industry and our Company are still lasting over the Interim Period, the Group's construction productivity and progress have been severely slowed down particularly due to shortage of manpower and global restriction on supply chain. The mass destruction to other consumers dealing industries has also affected some of our customer's business and increased our financial risk. Despite great efforts have been made to mitigate the impacts, the Group still recorded a net loss in this Interim Period, but at least we are optimistic to hold a view that the impacts to our financial results have been fully captured and we expect to see a good return in the coming period.

Revenue and Gross Profit

The Group recorded a decrease of approximately 34.78% in revenue for the six months ended 30 April 2022 as compared with the six months ended 30 April 2021 from approximately S$116.90 million to approximately S$76.24 million. Revenue decreased as a result of less construction activities performed during the Interim Period comparing with the Previous Period due to aforesaid various market factors.

Gross profit of the Group reduced from approximately S$9.50 million for the six months ended 30 April 2021 to S$2.75 million for the six months ended 30 April 2022, representing an approximately 71.05% drop of profit. Gross profit margin whereby dropped to 3.61% of the Interim Period compared with 8.13% of the Previous Period.

Other Income

Other income of the Group for the six months ended 30 April 2022 was lower by approximately S$193,000 primarily due to less government subsidies granted from Singapore Government to assist business defraying the cost caused by the COVID-19 pandemic as compared to the Previous Period following the gradual re-opening of the society.

Administrative Expenses

The Group incurred less administrative expenses for the six months ended 30 April 2022 compared with the six months ended 30 April 2021. Administrative expenses decreased by approximately S$254,000 from approximately S$3.71 million to S$3.45 million. The decrement of the administrative expenses primarily due to the disposal of some of the properties in the past year, therefore less depreciation charged in this Interim Period as compared to the Previous Period, and there was also almost no idle cost incurred during the Interim Period as compared to the Previous Period.

Income Tax Expense

The Group made some provision for onerous contract and impaired assets; therefore, the Group booked a tax credit to the operation profit amounted approximately to S$902,000, one million increment as compared to the Previous Period, mainly due to the deferred tax benefit of the provision for onerous contract and impaired assets.

Loss After Tax

As a result of the combined effects mentioned above, the Company recorded a net loss after tax at approximately S$1.02 million for the Interim Period, a decrement of S$5.69 million from net profit of S$4.68 million of the Previous Period, representing a reduction of approximately 121.80%.

Dividends

The Company did not declare any dividend during the Interim Period and the Company does not recommend an interim dividend for the six months ended 30 April 2022.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Liquidity

The Group's business operations depend on the sufficiency of working capital and effective cost management, in particular, competitive prices from subcontractors and suppliers as well as effective management of foreign workforce. The Group's primary uses of cash are payments to subcontractors, suppliers and manpower cost. The Group had been depending on its internal generated funds to fund its working capital needs in the past, however, with consistently lower interest rate in the current economy, the Group has started to gradually introduce low risk loan financing to the capital structure in order to achieve the optimum cost of capital. 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.

The current ratios (defined as total current assets divided by total current liabilities) of the Group were 2.5 and 2.4 as at 30 April 2022 and 31 October 2021, 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 on 7 Kung Chong Road of Singapore.

The gearing ratios (defined as total borrowings divided by total equity) of the Group were 20.26% and 14.2% as at 30 April 2022 and 31 October 2021 respectively and the increase in gearing ratio was mainly due to the progressive drawdown of the construction loan to finance the redevelopment project at 7 Kung Chong Road of Singapore.

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 in Hong Kong Dollars.

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 2022, the acquired land was mortgaged to secure the Group's bank loan. Besides, one of the subsidiaries of the Company, HPC Builders Pte Ltd. was also charged to the same bank for the same project as additional security. Other than that, only motor vehicles 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 2022, saved as disclosed in the paragraph headed "Mortgage or Charges on Group's Assets", there was no financial guarantee granted in favor of third party of the Group.

Capital Expenditure and Capital Commitments

For the Interim Period, the Group's incurred capital expenditures were 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 OCCURRING AFTER THE REPORTING PERIOD

On 9 May 2022, the Group completed a disposal of an investment property to an independent third party at a cash consideration of S$1.85 million. For further details, please refer to the Company's announcements dated 10 May 2022 and 1 June 2022.

EMPLOYEE INFORMATION

As at 30 April 2022, the Group had 868 employees including foreign workers.

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

Total staff costs including Directors' emoluments amounted to approximately S$13.9 million (2021: S$13.8 million) for the six months ended 30 April 2022.

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

During the COVID-19 pandemic, our employees especially foreign workers were well taken care of. 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 resources department has been followed up closely with foreign employees who are vulnerable and taken immediate action according to Singapore authorities' regulations. None of our employee's health was seriously affected by COVID-19.

As at the date of this announcement, 100% of the total employee of the Group has been vaccinated against COVID-19, and the Group is actively collaborating with government agencies to ensure all the local and foreign employees health condition are fit to all during the COVID-19 pandemic.

PROSPECTS

Based on Building and Construction Authority of Singapore, the construction demand forecast of this year ranges from S$27 billion, to an upper bound of S$32 billion, excluding any developments on the two Integrated Resorts (Marina Bay Sand and Sentosa Development). There is still a severe shortage of manpower, and we foresee that the recent spike in COVID-19 cases in the local community may exacerbate the progress of those projects that are already months behind schedule.

According to the Ministry of Trade and Industry (MTI), the manufacturing sector expanded 75% in 2021, supported by a strong demand for semiconductors, and the continuous growth of e-commerce and biomedical sciences. The JTC All Industrial Rental Index rose for the fourth straight quarter. Semiconductor maker, GlobalFoundries announced in June that they will add 250,000 square feet of clean room space to its campus at Woodlands Wafer Fab Park, expected to be operational in 2023. Taiwanese semiconductor United Microelectronics Corporation (UMC) recently announced its plan to build a new manufacturing facility in Singapore, with production to commence in 2024. In view of the global shortage of microchips and strong infrastructure support in Singapore, we expect investments in wafer fab development to draw keen interest from overseas manufacturers. The moratorium on construction of new data centres has been conditionally lifted, and although the carbon tax increase by year 2030 may see some headwinds, we expect activities in this sector to slowly pick up, due to its strong demand in data and 5G connectivity.

In line and the leasing activities in Singapore that been supported by stockpiling demand from Singapore Government following the introduction of semiconductors industry and Green Energy Projects, the Group is also working together with developers to explore the next new generation on semiconductors factory and cleanrooms warehouse projects. Besides that, the Group also working together with developers for container stacking yard by optimizing the land use and introducing automation to improve the efficiency of such facilities. Due to prime logistics properties in Singapore are nearly full occupancy and demand has begun to spill over to lower-specification logistics space. This has prompted cold-rooms logistic warehouse to higher rental growth compared with year 2021.

As Singapore is an open economy country, its business performance continuity depends heavily on how the Singapore Government responds to the world-wide inflation’s threats and backlogs of COVID-19 pandemic. The Group is cautiously optimistic and confident that the Group can perform better in the coming months with the worldwide easing of social restrictions and country borders reopening. However, the Group will still have to cope with the lower gross profits due to current increasing of building material prices, cost overrun of the ongoing projects and the intense competition from other contractors for new projects. With a healthy order book of S$269 million as of 30 April 2022, which will allow the Group to have more time to select better projects in coming months instead of tendering aggressively in order to survive through this current crisis. The management shall work positively to ensure the Group is able to sail through this difficult time safely and to excel again once the construction market returns to 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 shares, 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 2022.

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 2022.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to the 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 the 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 C.2.1.

Under the code provision C.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. Currently, it comprised of three independent non-executive Directors, namely, Mr. Leung Wai Yip (Chairman), Mr. Zhu Dong and Mr. Gng Hoon Liang.

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 financial results for the Interim Period, particularly addressed the impact of the COVID-19 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 2022 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 2022 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the SEHK on 11 May 2018 (the "**Listing**"). Net proceeds arising from the Listing amounted to approximately HK$124.4 million. The percentage of net proceeds were allocated in accordance to the proposed proportion in the prospectus of the Company dated 27 April 2018. As at 30 April 2022, the use of the net proceeds was as follows:

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

The Group has utilised the net proceeds from Listing in accordance with the intended plan and purposes as outlined in the "Future Plans and Use of Proceeds" in the Prospectus.

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, 30 June 2022

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 Mr. Gng Hoon Liang 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 2022 were as follows:

		Six months ended 30 April	
		2022	2021
	Note	***$'000***	*$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**76,245**	116,901
Cost of sales		**(73,496)**	(107,397)
Gross profit		**2,749**	9,504
Other operating income	*4*	**1,849**	1,656
Administrative expenses		**(3,451)**	(3,705)
Other losses		**(3,100)**	(3,045)
Finance income		**43**	428
Finance costs		**(11)**	(65)
(Loss)/profit before tax	*5*	**(1,921)**	4,773
Income tax credit/(expense)	*6*	**902**	(98)
(Loss)/profit for the period, representing total comprehensive income for the period		**(1,019)**	4,675
Total comprehensive income attributable to:			
Owners of the Company		**(891)**	4,742
Non-controlling interests		**(128)**	(67)
		(1,019)	4,675
(Loss)/earning per share for (loss)/profit attributable to owners of the Company			
– Basic (expressed in Singapore cents per share)	*7*	**(0.06)**	0.3
– Diluted (expressed in Singapore cents per share)	*7*	**(0.06)**	0.3

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 April 2022

	Note	Six months ended 30 April 2022 $'000 (Unaudited)	Year ended 31 October 2021 $'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**26,624**	22,594
Investment properties	10	**2,792**	5,062
Deferred tax assets	3	**2,648**	1,851
		32,064	29,507
Current assets			
Trade receivables	11	**33,701**	45,229
Other receivables, deposits and prepayments	12	**3,361**	2,667
Contract assets	13	**54,351**	40,758
Investment in marketable securities	14	**847**	–
Cash and cash equivalents	15	**19,998**	30,799
		112,258	119,453
Asset held for sale	10	**2,187**	–
		114,445	119,453
Total assets		**146,509**	148,960
EQUITY AND LIABILITIES			
Current liabilities			
Trade and retention payables	16	**26,396**	28,724
Other payables and accruals	16	**4,695**	5,640
Provisions	18	**8,037**	6,113
Contract liabilities	13	**5,479**	7,783
Lease liabilities	17	**101**	101
Borrowings	19	**720**	720
Current income tax payable		**149**	364
		45,577	49,445
Net current assets		**68,868**	70,008

	Note	**Six months ended 30 April 2022** *$'000* **(Unaudited)**	Year ended 31 October 2021 *$'000* (Audited)
Non-current liabilities			
Retention payables	*16*	**953**	3,469
Other payables	*16*	**2,524**	2,524
Lease liabilities	*17*	**295**	346
Borrowings	*19*	**13,343**	8,340
		17,115	14,679
Total liabilities		**62,692**	64,124
Equity attributable to owners of the Company			
Share capital	*20*	**2,725**	2,725
Share premium	*20*	**69,777**	69,777
Capital reserves	*21*	**(26,972)**	(26,972)
Retained profits		**38,297**	39,188
		83,827	84,718
Non-controlling interests		**(10)**	118
Total equity		**83,817**	84,836
Total equity and liabilities		**146,509**	148,960

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 April 2022

	Attributable to owners of the Company						
	Share capital *$'000*	Share premium *$'000*	Capital reserves *$'000*	Retained profits *$'000*	Total *$'000*	Non-controlling interests *$'000*	Total equity *$'000*
Group							
At 1 November 2020 (Audited)	2,725	69,777	(26,972)	43,870	89,400	399	89,799
Profit for the period, representing total comprehensive income for the period	–	–	–	4,742	4,742	(67)	4,675
At 30 April 2021 (unaudited)	2,725	69,777	(26,972)	48,612	94,142	332	94,474
At 1 November 2021 (Audited)	**2,725**	**69,777**	**(26,972)**	**39,188**	**84,718**	**118**	**84,836**
Loss for the period, representing total comprehensive income for the period	**–**	**–**	**–**	**(891)**	**(891)**	**(128)**	**(1,019)**
At 30 April 2022 (unaudited)	**2,725**	**69,777**	**(26,972)**	**38,297**	**83,827**	**(10)**	**83,817**

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended 30 April 2022

	Six months ended 30 April	
	2022	2021
	$'000	*$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss/(profit) before tax	**(1,921)**	4,773
Adjustments for:		
Depreciation of property, plant and equipment	**655**	814
Depreciation of investment properties	**83**	83
(Gain)/loss on disposal of property, plant and equipment	**(22)**	27
Fair value loss on investment in marketable securities	**103**	–
Net unrealised foreign exchange loss	**4**	–
Interest expense	**11**	65
Interest income	**(43)**	(428)
Provision for onerous contracts	**1,924**	(1,776)
Impairment loss on financial assets – trade receivables	**3,040**	3,000
Operating cash flows before changes in working capital	**3,834**	6,558
Changes in working capital:		
– Increase in contract assets	**(15,897)**	(10,173)
– Decrease/(increase) in trade receivables	**8,488**	8,793
– Increase in other receivables, deposits and prepayments	**(694)**	(317)
– (Decrease)/increase in trade and retention payables	**(4,844)**	2,184
– Decrease in other payables and accruals	**(945)**	(940)
Cash used in operations	**(10,058)**	(11,481)
Interest paid	**(11)**	(65)
Interest received	**43**	428
Income tax paid	**(111)**	(632)
Net cash used in operating activities	**(10,137)**	(11,750)

	Six months ended 30 April	
	2022	2021
	$'000	*$'000*
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**150**	135
Purchase of property, plant and equipment	**(4,813)**	(2,979)
Investment in marketable securities	**(950)**	–
Net cash used in investing activities	**(5,613)**	(2,844)
Cash flows from financing activities		
Net proceeds from/(repayment of) bank borrowings	**5,003**	(835)
Repayment of lease liabilities	**(51)**	(103)
Net cash generated from/(used in) financing activities	**4,952**	(938)
Net decrease in cash and cash equivalents	**(10,798)**	(15,532)
Effect of exchange rate changes on cash and cash equivalents	**(3)**	–
Cash and cash equivalents at beginning of the period	**30,799**	63,002
Cash and cash equivalents at end of the period	**19,998**	47,470

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2022

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 headquarter and principal place of business of the Company in Singapore is located at Block 165, Bukit Merah Central, #08-3687, Singapore 150165.

The principal activity of the Company is 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 2022 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 2021.

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 2021, except for the adoption of new standards effective as of 1 November 2021. 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 International Financial Reporting Standard ("**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 2021. 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 IAS 16 *Property, Plant and Equipment*	1 January 2022
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018 – 2020	1 January 2022
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8: *Definition of Accounting Estimates*	1 January 2023

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 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 directors for the reportable segments for the six months ended 30 April 2022 and 30 April 2021 are as follows:

	General building construction *$'000*	Civil engineering *$'000*	Total *$'000*
Six months ended 30 April 2022 (Unaudited)			
Total segment revenue to external customers	**74,109**	**2,136**	**76,245**
Gross profit	**2,177**	**572**	**2,749**
Segment assets	**86,452**	**1,600**	**88,052**
Segment liabilities	**39,907**	**958**	**40,865**
Six months ended 30 April 2021 (Unaudited)			
Total segment revenue to external customers	112,301	4,600	116,901
Gross profit	7,649	1,855	9,504
Segment assets	81,296	3,701	84,997
Segment liabilities	46,318	1,736	48,054

Reconciliations

(i) *Segment profits*

A reconciliation of gross profit to (loss)/profit before income tax is as follows:

	Six months ended 30 April	
	2022	2021
	$'000	*$'000*
	(Unaudited)	(Unaudited)
Gross profit for reportable segments	**2,749**	9,504
Other income	**1,849**	1,656
Other losses	**(3,100)**	(3,045)
Administrative expenses	**(3,451)**	(3,705)
Finance income	**43**	428
Finance costs	**(11)**	(65)
(Loss)/profit before tax	**(1,921)**	4,773

(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 2021. Segment assets exclude unallocated head office assets as these assets are managed on a group basis.

Segment assets are reconciled to total assets as follows:

	30 April 2022 *$'000* **(Unaudited)**	31 October 2021 *$'000* (Audited)
Segment assets for reportable segments	**88,052**	85,987
Unallocated:		
Property, plant and equipment	**26,624**	22,594
Investment properties	**2,792**	5,062
Deferred income tax assets	**2,648**	1,851
Other receivables, deposits and prepayments	**3,361**	2,667
Cash and cash equivalents	**19,998**	30,799
Investment in marketable securities	**847**	–
Asset held for sale	**2,187**	–
	146,509	148,960

(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 2021. Segment liabilities exclude unallocated head office liabilities as these liabilities are managed on a group basis.

Segment liabilities are reconciled to total liabilities as follows:

	30 April 2022 *$'000* **(Unaudited)**	31 October 2021 *$'000* (Audited)
Segment liabilities for reportable segments	**40,865**	46,089
Unallocated:		
Lease liabilities	**396**	447
Other payables and accruals	**7,219**	8,164
Borrowings	**14,063**	9,060
Current income tax payable	**149**	364
	62,692	64,124

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

	Six months ended 30 April	
	2022	2021
	$'000	*$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Construction contract revenue	**76,245**	116,901

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

Disaggregation of revenue

	Six months ended 30 April	
	2022	2021
	$'000	*$'000*
	(Unaudited)	(Unaudited)
By project sector		
Public sector	**19,514**	19,394
Private sector	**56,731**	97,507
	76,245	116,901

	Six months ended 30 April	
	2022	2021
	$'000	*$'000*
	(Unaudited)	(Unaudited)
Government grants*	**1,078**	1,408
Sales of scrap materials	**556**	154
Rental income from investment properties	**95**	94
Others	**120**	–
Other operating income	**1,849**	1,656

* Government grants were received by certain subsidiaries in connection with employment of Singaporean workers under Job Support Scheme, Foreign Worker Levy Rebate, BCA COVID-Safe firm-based Support. There were no unfulfilled conditions or contingencies relating to these grants.

5. (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax:

	Six months ended 30 April	
	2022	2021
	$'000	*$'000*
	(Unaudited)	(Unaudited)
Auditors' remuneration:		
– auditor of the Company	**93**	90
Materials, sub-contractors and other construction costs	**61,476**	95,677
Depreciation of property, plant and equipment	**655**	814
Depreciation of investment properties	**84**	83
Employee compensation	**13,939**	13,789
Operating lease rentals*	**57**	79
Entertainment and transportation	**69**	59
Professional fees	**179**	303
Impairment losses on financial assets – trade receivables	**3,040**	3,000
Fair value loss on investment on marketable securities	**103**	–

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

6. INCOME TAX (CREDIT)/EXPENSE

Major components of income tax (credit)/expense

The major components of income tax expense for the six months ended 30 April 2022 and 30 April 2021 are:

	Six months ended 30 April	
	2022	2021
	$'000	*$'000*
	(Unaudited)	(Unaudited)
Current income tax	**37**	331
Deferred income tax	**(797)**	(243)
(Over)/under provision in respect of previous years	**(142)**	10
Income tax (credit)/expense recognised in profit or loss	**(902)**	98

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% in 2022. 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-months ended 30 April 2022 and 30 April 2021.

7. (LOSS)/EARNINGS PER SHARE

Basic (loss)/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 (loss)/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 (loss)/earnings per share are the same as the basic (loss)/earnings per share as there are no dilutive potential ordinary share.

	Six months ended 30 April	
	2022	2021
	$'000	*$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company	**(891)**	4,742

	No. of shares	
	30 April 2022	30 April 2021
Weighted average number of ordinary shares on issue applicable to Basic and diluted (loss)/earnings per share (in thousands)	**1,600,000**	1,600,000
Basic and diluted (loss)/earnings per share (cents)	**(0.06)**	0.3

8. DIVIDENDS

No dividends were declared during the six months ended 30 April 2022 and 30 April 2021.

9. PROPERTY, PLANT AND EQUIPMENT

	Computers	**Furniture and fittings**	**Motor vehicles**	**Plant and equipment**	**Leasehold improvements**	**Leasehold land and building under construction**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
(Unaudited)							
Cost:							
At 1 November 2021	**1,221**	**955**	**2,708**	**2,267**	**60**	**20,617**	**27,828**
Additions	**6**	**–**	**–**	**–**	**–**	**4,807**	**4,813**
Disposals	**–**	**–**	**(529)**	**–**	**–**	**–**	**(529)**
At 30 April 2022	**1,227**	**955**	**2,179**	**2,267**	**60**	**25,424**	**32,112**
Accumulated depreciation:							
At 1 November 2021	**972**	**356**	**1,464**	**1,976**	**58**	**408**	**5,234**
Depreciation for the period	**71**	**131**	**124**	**119**	**1**	**209**	**655**
Disposals	**–**	**–**	**(401)**	**–**	**–**	**–**	**(401)**
At 30 April 2022	**1,043**	**487**	**1,187**	**2,095**	**59**	**617**	**5,488**
Net carrying amount:							
At 30 April 2022	**184**	**468**	**992**	**172**	**1**	**24,807**	**26,624**

	Computers	Furniture and fittings	Motor vehicles	Plant and equipment	Leasehold improvements	Leasehold land and building under construction	Leasehold land and building	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
(Audited)								
Cost:								
At 1 November 2020	1,013	179	3,158	2,180	60	15,360	4,585	26,535
Additions	208	776	–	166	–	5,257	–	6,407
Disposals	–	–	(450)	(79)	–	–	(4,585)	(5,114)
At 31 October 2021	1,221	955	2,708	2,267	60	20,617	–	27,828
Accumulated depreciation:								
At 1 November 2020	817	168	1,474	1,822	56	–	99	4,436
Depreciation for the year	155	188	280	233	2	408	269	1,535
Disposals	–	–	(290)	(79)	–	–	(368)	(737)
At 31 October 2021	972	356	1,464	1,976	58	408	–	5,234
Net carrying amount:								
At 31 October 2021	249	599	1,244	291	2	20,209	–	22,594

Capitalisation of borrowing costs

The Group's leasehold land and building under construction include borrowing costs arising from bank loan borrowed specifically for the purpose of the construction of the leasehold building. During the six months ended 30 April 2022, the borrowing costs capitalised as cost of leasehold land and building amounted to $97,000 (31 October 2021: $334,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.55% to 1.90% (31 October 2021: 1.75%) per annum, which is the effective interest rate of the specific borrowing (Note 16).

Assets pledged as security

The Group's leasehold land and building with a carrying amount of $24,807,000 (31 October 2021: $20,210,000) were mortgaged to secure the Group's bank loan.

10. INVESTMENT PROPERTIES

	Freehold strata property unit $'000	Leasehold strata property unit $'000	Total $'000
(Unaudited)			
Cost:			
At 1 November 2021	**3,067**	**2,751**	**5,818**
Transfer to asset held for sale	**–**	**(2,751)**	**(2,751)**
At 30 April 2022	**3,067**	**–**	**3,067**
Accumulated depreciation:			
At 1 November 2021	**245**	**511**	**756**
Depreciation for the period	**30**	**53**	**83**
Transfer to asset held for sale	**–**	**(564)**	**(564)**
At 30 April 2022	**275**	**–**	**275**
Net carrying amount:			
At 30 April 2022	**2,792**	**–**	**2,792**
(Audited)			
Cost:			
At 1 November 2020 and 31 October 2021	3,067	2,751	5,818
Accumulated depreciation:			
At 1 November 2020	184	405	589
Depreciation for the year	61	106	167
At 31 October 2021	245	511	756
Net carrying amount:			
At 31 October 2021	2,822	2,240	5,062
At valuation			
At 31 October 2021	3,600	2,200	5,800
At 30 April 2022	3,500	–	3,500

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

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

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Rental income from investment properties	**95**	180

During the six months ended 30 April 2022, the investment property unit at Loyang Enterprise Building Singapore #01-08 was transferred to asset held for sale upon entering an option to purchase with a third-party buyer. The sale was completed on 9 May 2022 for a cash consideration of $1,850,000 and the impairment loss of $337,000 was recognised upon completion.

Save as disclosed above, the Group has no other 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.

Valuation

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every year based on the property's highest and best use. Discussions on the valuation process, key inputs applied in the valuation approach and the reasons for the fair value changes are held between the property manager, management and the independent valuer yearly.

The fair value of the Group's investment properties is determined based on significant unobservable inputs and is categorised under Level 3 of the fair value measurement hierarchy. Level 3 fair value has been derived using the direct comparative approach, which takes into consideration significant inputs such as recent sales of comparable properties in the vicinity, floor area, floor level, tenure and prevailing market conditions. In arriving at the estimates of market value, the valuers have used their market knowledge and professional judgment and not only relied on historical transactional comparable. The most significant input in this valuation approach is the selling price per square meter.

An increase/decrease in selling price per square meter will result in a corresponding increase/decrease to the fair value of the investment property.

11. TRADE RECEIVABLES

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Current		
– Trade receivables*	**39,541**	45,931
– Loan receivable**	**1,350**	3,448
	40,891	49,379
Allowance for impairment	**(7,190)**	(4,150)
	33,701	45,229

* Included in trade receivables is retention receivables of $2,464,000 and $2,115,000 as at 30 April 2022 and 31 October 2021 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.

** A subsidiary of the Group entered into an agreement with a customer on 20 March 2020 to restructure trade receivables of $6,300,000 into a loan that bears interest at 6% per annum. This loan is repayable over four instalments commencing on 31 December 2020 and ending on 31 December 2021. The Group had further extended the due date for the loan receivable to August 2022.

The carrying amounts of current trade receivables approximate their fair values.

Trade receivables

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

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

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
– Less than 3 months	**13,731**	19,709
– 3 to 6 months	**136**	969
– Over 6 months to 1 year	**2,714**	9,104
– More than 1 year	**24,310**	19,597
	40,891	49,379

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 $7,190,000 (31 October 2021: $4,150,000), 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 $27,221,000 (31 October 2021: $27,952,000) as at 30 April 2022 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	30 April 2022 *$'000* **(Unaudited)**	31 October 2021 *$'000* (Audited)
Trade receivables past due but not impaired:		
– Past due less than 3 months	**4,099**	6,911
– Past due 3 to 6 months	**2,509**	4,040
– Past due more than 6 months to 1 year	**1,739**	5,671
– Past due more than 1 year	**18,874**	11,330
	27,221	27,952

Expected credit losses

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

	Trade receivables *$'000*	**Contract assets** *$'000*	**Total** *$'000*
30 April 2022			
(Unaudited)			
Movement in allowance accounts:			
At 1 November 2021	**4,150**	**–**	**4,150**
Charge for the period	**3,040**	**–**	**3,040**
At 30 April 2022	**7,190**	**–**	**7,190**

	Trade receivables *$'000*	Contract assets *$'000*	Total *$'000*
31 October 2021			
(Audited)			
Movement in allowance accounts:			
At 1 November 2020	1,150	–	1,150
Charge for the year	3,000	–	3,000
At 31 October 2021	4,150	–	4,150

The Group recognised allowance for expected credit losses of $3,040,000 for the six-month ended 30 April 2022 on trade receivables pertaining to two customers for which there is significant change in the credit quality and balances from these customers are assessed to be not fully recoverable.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 April 2022 *$'000* **(Unaudited)**	31 October 2021 *$'000* (Audited)
Deposits	**2,200**	1,544
Prepayments	**152**	22
Other receivables		
– Related parties	**86**	86
– Non-related parties	**619**	390
– Government grants receivable	**304**	625
	3,361	2,667

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

Other receivables mainly due to a short-term loan receivable, and 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.

Government grants receivable consists mainly of government assistance under the Jobs Support Scheme program funded by the Singapore Government.

13. CONTRACT ASSETS/LIABILITIES

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

	30 April 2022 *$'000* **(Unaudited)**	31 October 2021 *$'000* (Audited)
Construction contracts:		
Contract assets	**54,351**	40,758
Contract liabilities	**5,479**	7,783

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 $25,237,642 (31 October 2021: $28,071,200) 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 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Contract asset reclassified to receivables	**(4,692)**	(15,157)
Right to consideration for work completed but not yet billed	**18,286**	24,434

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

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period/year	**4,298**	15,101
Advance received from customers	**(1,995)**	(3,093)

(iii) Unsatisfied performance obligations

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 30 April 2022/31 October 2021		
Construction contracts		
Within one year	**187,385**	123,736
More than one year	**92,380**	191,860
	279,765	315,596

The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

14. INVESTMENT IN MARKETABLE SECURITIES

The investment in marketable securities, are made up of investments in listed equity shares, is measured at fair value through profit or loss. Fair values of these equity shares are determined by reference to published price quotations in an active market.

15. CASH AND CASH EQUIVALENTS

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Cash at banks	**11,902**	15,709
Short-term bank deposits	**8,096**	15,090
Cash and cash equivalents in the consolidated statement of cash flows	**19,998**	30,799

The carrying amounts of cash and cash equivalents denominated in United States Dollars and Hong Kong Dollars amounted to $616,694 (31 October 2021: $600,624) and $267,042 (31 October 2021: $180,543), 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.

16. TRADE AND OTHER PAYABLES

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Current		
Trade payables	**8,570**	9,594
Retention payables	**11,441**	10,131
Accrued construction costs	**6,385**	8,999
	26,396	28,724
Deposits	**–**	154
Accrued expenses	**1,325**	1,053
Goods and services tax payables	**274**	279
Other payables	**3,096**	4,154
Total other payables and accruals	**4,695**	5,640
Non-current		
Retention payables	**953**	3,469
Amount due to non-controlling shareholders	**2,524**	2,524
Total other payables	**3,477**	5,993

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

Amount due to non-controlling shareholders

The non-current portion pertains to loans from the non-controlling shareholders for the acquisition of the leasehold land and building under construction incurred by Regal Haus. This loan is interest-free and are expected to be repaid upon completion of the leasehold land and building under construction in 2023.

The fair values of non-current retention payables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy. The fair values of non-current retention payables and the market borrowing rates used are as follows:

	30 April 2022	31 October 2021
Borrowing rates	**1.75%**	1.75%
Retention payables *($'000)*	**937**	3,410
Borrowing rates	**1.75%**	1.75%
Amount due to non-controlling shareholders *($'000)*	**2,395**	2,459

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

	30 April 2022 ***$'000*** **(Unaudited)**	31 October 2021 *$'000* (Audited)
– Less than 3 months	**7,585**	8,290
– 3 to 6 months	**53**	476
– Over 6 months to 1 year	**24**	89
– More than 1 year	**908**	739
	8,570	9,594

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

Retention payables were not yet past due as at 30 April 2022 and 31 October 2021 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.

17. LEASES

The Group has lease contracts relating to land and motor vehicles. The Group also has certain leases of office premise with lease term of 12 months or less. The Group applies the "short-term lease" recognition exemptions for these leases.

Carrying amount of right-of-use assets classified within property, plant and equipment

	Motor vehicles *$'000*	**Leasehold land** *$'000*	**Total** *$'000*
(Unaudited)			
As at 1 November 2021	**879**	**–**	**879**
Depreciation	**(61)**	**–**	**(61)**
As at 30 April 2022	**818**	**–**	**818**

	Motor vehicles *$'000*	Leasehold land *$'000*	Total *$'000*
(Audited)			
As at 1 November 2020	999	768	1,767
Disposals	–	(768)	(768)
Depreciation	(120)	–	(120)
As at 31 October 2021	879	–	879

Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are disclosed in Note 19.

Amounts recognised in statement of comprehensive income

	30 April 2022 *$'000* **(Unaudited)**	31 October 2021 *$'000* (Audited)
Depreciation of right-of-use assets	**61**	120
Interest expense on lease liabilities	**8**	16
Expenses relating to short term leases (included in other expenses)	**57**	143
	126	279

Total cash outflows

The Group had total cash outflows for leases of $58,700 for the six months ended at 30 April 2022 (31 October 2021: $117,000) and had no non-cash additions to right-of-use assets and lease liabilities (31 October 2021: $Nil) in 2021.

18. PROVISION

Provision for onerous contracts

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Balance at beginning	**6,113**	2,112
Arose during the period/year	**1,924**	4,001
	8,037	6,113

During the year, the Group provided $1,924,000 (31 October 2021: $4,001,000) 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 by the end of the contract terms.

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

19. BORROWINGS

	Maturity	**30 April 2022**	31 October 2021
		$'000	*$'000*
		(Unaudited)	(Audited)
Current			
SGD bank loan	2035	**720**	720
Non-current			
SGD bank loan	2035	**13,343**	8,340

SGD bank loan

The loan which matures on 2035 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% upon the Group obtaining Temporary Occupation Permit ("**TOP**") on the secured property. Such TOP has not yet been obtained on the property as at 30 April 2022.

Changes in liabilities arising from financing activities

	1 November 2021 $'000	Cash inflows $'000	Cash outflows $'000	Others* $'000	30 April 2022 $'000
(Unaudited)					
Borrowings					
– Current	**720**	**–**	**(720)**	**720**	**720**
– Non-current	**8,340**	**5,723**	**–**	**(720)**	**13,343**
Lease liabilities					
– Current	**101**	**–**	**(51)**	**51**	**101**
– Non-current	**346**	**–**	**–**	**(51)**	**295**
Amount owing to non-controlling shareholders (non-current)	**2,524**	**–**	**–**	**–**	**2,524**
	12,031	**5,723**	**(771)**	**–**	**16,983**

	1 November 2020 $'000	Cash inflows $'000	Cash outflows $'000	Others* $'000	31 October 2021 $'000
(Audited)					
Borrowings					
– Current	1,676	–	(1,676)	720	720
– Non-current	13,104	–	(4,044)	(720)	8,340
Lease liabilities					
– Current	175	–	(101)	27	101
– Non-current	1,161	–	–	(815)	346
Amount owing to non-controlling shareholders (non-current)	2,058	466	–	–	2,524
	18,174	466	(5,821)	(788)	12,031

* Pertains to reclassification between current and non-current and termination of leases during the year

20. SHARE CAPITAL AND SHARE PREMIUM

Authorised ordinary shares

	Number of shares *'000*	Share capital *HK$'000*
As at 31 October 2021 and 30 April 2022	**10,000,000**	**100,000**

Ordinary shares

	Number of shares issued and fully paid *'000*	Share capital *$'000*	Share premium *$'000*
As at 31 October 2021 and 30 April 2022	**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.

21. 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.

22. 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 2022 ***$'000*** **(Unaudited)**	31 October 2021 *$'000* (Audited)
Within one year	**85**	191
Two to five years	**223**	316
	308	507

23. RELATED PARTY DISCLOSURES

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

24. FAIR VALUE OF ASSETS AND LIABILITIES

Trade receivables (Note 11), other receivables and deposits (Note 12), cash and cash equivalents (Note 15), trade and retentions payable (current) (Note 16), and other payables and accruals (current) (Note 16)

The carrying amounts of the above financial assets and liabilities are reasonable approximation of their fair values due to their short maturities.

Borrowings (Note 19)

The carrying amounts of the above financial assets and liabilities are reasonable approximation of their fair values as the interest rate approximates the market interest rate prevailing at the financial period end.

Trade payables (non-current) (Note 16), and other payables (non-current) (Note 16)

The carrying amounts of these financial liabilities are reasonable approximations of their fair values as the present value differential is not significant.

Financial instruments by category

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

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Financial assets at amortised cost	**57,906**	78,695
Financial liabilities at amortised cost	**57,064**	55,978

The following table provides the fair value measurement hierarchy of the Group's financial asset as at 30 April 2022:

	30 April 2022	31 October 2021
	$'000	*$'000*
	(Unaudited)	(Audited)
Financial assets measured at fair value		
Quoted equity investments		
Investment in marketable securities (Level 1 – quoted prices in active markets)	**847**	–

The Group did not have any financial assets and liabilities measured at fair value as at 31 October 2021. 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.

25. EVENT OCCURRING AFTER THE REPORTING PERIOD

On 9 May 2022, the Group completed a disposal of an investment property to an independent third party at a cash consideration of S$1.85 million. For further details, please refer to the Company's announcements dated 10 May 2022 and 1 June 2022.

26. AUTHORISATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the six-months ended 30 April 2022 were authorised for issue in accordance with a directors' resolution dated 30 June 2022.