HPC HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1742)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 OCTOBER 2022

The board (the "**Board**") of directors (the "**Directors**") of HPC Holdings Limited (the "**Company**" or "**HPC**") announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 October 2022 (the "**Financial Year**") together with the comparative figures for the corresponding period in 2021 (the "**Previous Period**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In year 2022, Singapore construction industry resumed pre-Pandemic activity levels on the back of growing infrastructure and building sectors and construction industry output recorded an increment of 3.3% in Q2 2022 from the 2.4% which it registered in Q1 2022. Generally, construction industry in Singapore grows by 2.1% to reach S$35,197 million in 2022.

However, Singapore construction industry still get hampered by the labor shortage issue and the Russia-Ukraine war also caused rising oil prices and disruption to global supply chains, which had resulted in rising building material prices as well as machinery and transport costs. Although Singapore Ministry of Manpower (MOM) had launched workers retention scheme to contractors from September 2021 to February 2022 period, this measure only slightly mitigated the labor shortage issue. Despite the above-mentioned setbacks of labor shortage and the Russia-Ukraine war, construction demand still sustainable and supported by public sector projects and heavily contributed to the construction growth in year 2022.

The Group has been cautious during year 2022 in tendering projects and be more selective in tender opportunities. Due to the huge financial impacts and constraints as risen from COVID-19 pandemic (the "**Pandemic**") in the past, in Q1 to Q2 of year 2022, building material price fluctuation and shortage of labor had the direct and serious impacts to construction industry, these caused project construction period drag longer and eroded profit margin of awarded projects. Therefore, tender pricing for new projects remained very competitive and challenging in anticipation for the potential construction cost increase between 15%-20%, driven by labor shortages and Russia-Ukraine war, cost increase in key construction materials due to disruption of global logistics and partial closing borders from other countries.

As a result of these challenges, the Group only managed to secured two new projects in Q3 to Q4 of year 2022, namely the Silicon Box Fab and Pilot Mechanical Biological Treatment Plant. The total amount of these two new projects were S$314.60 million and S$14.90 million respectively. With these awards, our order book remains at healthy level at S$434.43 million as of 31 Dec 2022. With the award of Silicon Box Fab new project, the Group has successfully embarked into semiconductor fabrication plant construction segment.

FINANCIAL REVIEW

The economy has been further recovering as compared to last year. However, COVID-19 has inevitably affected the productivity of construction industry, rising labour, materials and other operating cost. Therefore, with narrower margin as compared to Pre-COVID era, construction activities were resumed by the Group, and we are pleased to turn into profit from loss in this Financial Year.

Revenue and Gross Profit

The Group registered an increase of approximately 7.64% in revenue for the Financial Year as compared with the year ended 31 October 2021 from approximately S$188.5 million to approximately S$202.9 million. Revenue increased approximately S$14.4 million as a result of full capacity of construction activities was resumed compared with the Previous Period.

The gross profit of the Group surged from approximately S$1.05 million loss to a S$12.1 million profit for the Financial Year as compared with the year ended 31 October 2021. Gross profit margin increased approximately S$13.1 million, a 6.52% from -0.56% to 5.96%. The rising gross profit was mainly due to most of the on-going projects were awarded during the Pandemic, most of the risk and impacts had been captured in the tender prices.

Other Income

Other Income of the Group for the Financial Year decreased by approximately S$1.5 million, primarily due to less government subsidies granted from Singapore Government to assist business to defray the cost caused by the Pandemic in consideration of the full recovery of the economic.

Administrative Expenses

The Group incurred less administrative expenses for the Financial Year compared with the year ended 31 October 2021. Administrative expenses decreased by approximately S$600 thousands from approximately S$7.47 million to S$6.87 million. The decrement of the administrative expenses was primarily due to less depreciation from investment properties charged and less headquarter staff remuneration as a result of rearranging of headquarter and project team managerial staff.

Income Tax Expenses

As a result of the surge of the operating income in the Financial Year and certain provisions provided for foreseeable loss and doubtful debt, the Group is expected to gain income tax benefit of approximately S$1.38 million.

Profit After Tax

As a result of the combined effects mentioned above, the Company recorded a net profit after tax at approximately S$3.1 million, a good increment of approximately S$8.1 million, from loss making S$4.9 million of the Previous Period, a huge 162.6% growth.

Dividends

The Company did not declare any dividend during the Financial Year and the Board does not recommend any final dividend to be distributed for the Financial Year (2021: Nil).

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.

Current ratios (defined as total current assets divided by total current liabilities) of the Group are 2.1 and 2.4 as at 31 October 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.

Gearing ratios (defined as total borrowings divided by total equity) of the Group are 22.2% and 14.2% as at 31 October 2022 and 31 October 2021 respectively and the increasing of gearing ratio was mainly due to the drawing of new loan pertaining to the 7 Kung Chong Road Project mentioned above during this Financial Year.

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 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 31 October 2022, 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 were acquired via finance leases.

Contingent Liabilities and Financial Guarantees

The Group was involved in a few litigation cases related to workplace injuries which were normally insured with insurance; therefore, the Group does not expect any contingent liabilities in the foreseeable future.

As at 31 October 2022, saved as disclosed in the section "Mortgage or Charges on Group's Assets", there is no financial guarantee granted in favor of the third party of the Group.

Capital Expenditure and Capital Commitments

For the Financial Year, the Group incurred capital expenditures which are mainly on the construction and financing cost of the 7 Kung Chong Road Project and some construction site equipment.

EMPLOYEES INFORMATION

As at 31 October 2022, the Group had 984 employees including the foreign workers.

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

Total staff costs including Directors' emoluments amounted to approximately S$29 million (2021: S$27 million) for the Financial Year.

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.

PROSPECTS

From the long-term perspective, the Group expects that the resilience of construction demand will be return in 2023, as most of the Pandemic risk factors have been sufficiently exposed. Monetary Authority of Singapore (MAS) forecast came in third quarter of year 2022 and the growth rate of 2023 was revised downwards to 4.1 per cent year-on-year, slower than both the earlier advance estimate of 4.4%, and the 4.5% growth recorded in Q2.

Over the medium-term, Singapore Building Construction Authority (BCA) forecasted the total construction demand to reach between S$25 billion and S$32 billion per year from 2023 to 2026. Expected public sector to lead the demand and contribute S$14-18 billion per year within the period, with about half of the demand coming from building projects and civil engineering works.

The private sector construction demand was expected to remain steady from 2023 to 2026, reaching about S$11-14 billion per year, in view of healthy investment appetite amid Singapore's strong economic fundamentals. Residential construction was the largest market in construction industry and accounting for 24.4% of the industry's total value in 2023, followed by infrastructure construction, industrial construction, institutional construction, commercial construction and energy and utilities construction.

Based on the above data and analysis, the Group believed that total nominal construction output is projected to be increased for 2023, due to the steady level of construction demand and the backlog of remaining workloads that are affected by the COVID-19 Pandemic since 2020.

The Group foresees further industry consolidation in Singapore, construction supply chain and high technology industrial construction (semiconductor fabrication plant and pharmaceutical plant) to continue growing, due to demand from the private sector is anticipated to be increased, from a reduction in the number of land parcels put up for sale in the first quarter of 2021 and industrial developer could pick up later in 2022 and 2023, as industrial developers may start looking to replenish their land banks (refer to Global Construction Review (GCR) – UK-headquartered construction consultant Turner & Townsend has submitted a "cautiously optimistic" outlook for the Singaporean construction sector, with recovery led by public sector projects, GCR Staff, 13 Apr 2021). Therefore, we foresee that the recovery of productivity and demands will speed up the tender price stabilization process, we shall soon drive through the turbulence.

Barring from any resurgence of COVID-19 Pandemic in 2023, the Group is optimistically confident that the current order book still can keep most of the existing workforce to be productively employed till end of 2023, while we are managing to tackle any challenges. The Group will move towards a more collaborative stance with other stakeholders such as developers and architects to secure more opportunities, even during the construction phase. The Group's team members would start to be more heavily engaged with a project, and evolve into a more collaborative contracting approach where all stakeholders, including builders and contractors, are actively involved in all parts of the development process, this approach will help to better manage risks in a more equitable manner between stakeholders. Over the long term, the Group can build up the resilience in the local construction sector to withstand market volatility.

The Group is prepared and actively tendering for new projects in the market segmentation that the Group is specialized and been explored in 2022, and streamlining our resources to tender few potential large scale industrial projects in the pipeline likely to be awarded in Q1 to Q2 of 2023.

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 Financial Year.

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. Having made specific enquiry, all Directors have confirmed that they have complied with the Model Code throughout the Financial Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the Financial Year with the exception of code provision C.2.1.

Under then 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.

REVIEW OF ANNUAL RESULTS BY THE 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 Rules 3.21 and 3.22 of the Listing Rules and Code Provision D.3 of 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 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 annual financial results for the Financial Year, particularly addressed the impact of the Pandemic to the Company's operation. The Audit Committee is of the view that the consolidated financial statements for the Financial Year have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

SCOPE OF WORK OF THE COMPANY'S AUDITOR ON THE ANNUAL RESULTS ANNOUNCEMENT

The consolidated annual results of the Group for the Financial Year have been agreed by the Company's independent auditors, Ernst & Young LLP, Certified Public Accountants, to the amounts set out in the Group's Consolidated Financial Statements and the amounts were found to be in agreement. The work performed by Ernst & Young LLP in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently, no assurance has been expressed by the independent auditors on this announcement.

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

During the Financial Year, neither the Company nor any of the subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION 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*).

ANNUAL GENERAL MEETING

The AGM will be held on 28 April 2023. Notice of the AGM will be published and despatched to Shareholders in the manner as required by the Listing Rules in due course.

SUBSEQUENT EVENT

No material events occurred subsequent to 31 October 2022 which may have a significant effect on the assets and liabilities or future operations of the Group.

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

Singapore, 31 January 2023

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 October 2022

	Note	2022 S$'000	2021 S$'000
Revenue	4	**202,915**	188,510
Cost of sales		**(190,822)**	(189,561)
Gross profit/(loss)		**12,093**	(1,051)
Other operating income	5	**2,943**	4,465
Administrative expenses		**(6,866)**	(7,471)
Impairment losses on financial assets	7	**(7,240)**	(3,000)
Other gains	5	**680**	732
Finance income	6	**131**	447
Finance costs	6	**(20)**	(105)
Profit/(loss) before tax	7	**1,721**	(5,983)
Income tax credit	9	**1,384**	1,020
Profit/(loss) for the year, representing total comprehensive income for the year		**3,105**	(4,963)
Total comprehensive income attributable to:			
Owners of the Company		**3,363**	(4,682)
Non-controlling interests		**(258)**	(281)
		3,105	(4,963)
Earnings(/loss) per share attributable to owners of the Company			
– Basic (cents)	10	**0.19**	(0.3)
– Diluted (cents)	10	**0.19**	(0.3)

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

CONSOLIDATED BALANCE SHEET
As at 31 October 2022

		Group	
		2022	2021
	Note	***S$'000***	*S$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**28,709**	22,594
Investment properties	*12*	**–**	5,062
Deferred tax assets	*9*	**3,431**	1,851
		32,140	29,507
Current assets			
Trade receivables	*13*	**49,414**	45,229
Other receivables, deposits and prepayments		**2,157**	2,667
Investment in marketable securities	*14*	**775**	–
Contract assets	*15*	**72,448**	40,758
Cash and cash equivalents	*16*	**23,949**	30,799
		148,743	119,453
Total assets		**180,883**	148,960
EQUITY AND LIABILITIES			
Current liabilities			
Trade and retention payables	*17*	**54,383**	28,724
Other payables and accruals	*17*	**7,361**	5,640
Provisions		**8,466**	6,113
Contract liabilities	*15*	**178**	7,783
Lease liabilities	*18*	**101**	101
Borrowings	*19*	**1,237**	720
Income tax payable		**339**	364
		72,065	49,445
Net current assets		**76,678**	70,008

	Note	Group 2022 S$'000	2021 S$'000
Non-current liabilities			
Retention payables	*17*	**2,653**	3,469
Other payables	*17*	**2,524**	2,524
Lease liabilities	*18*	**245**	346
Borrowings	*19*	**15,455**	8,340
		20,877	14,679
Total liabilities		**92,942**	64,124
Equity attributable to owners of the Company			
Share capital	*21*	**2,725**	2,725
Share premium	*21*	**69,777**	69,777
Capital reserves	*22*	**(26,972)**	(26,972)
Retained profits		**42,551**	39,188
		88,081	84,718
Non-controlling interests		**(140)**	118
Total equity		**87,941**	84,836
Total equity and liabilities		**180,883**	148,960

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 October 2022

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Capital reserves**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Group							
At 1 November 2020	2,725	69,777	(26,972)	43,870	89,400	399	89,799
Loss for the year, representing total comprehensive income for the year	–	–	–	(4,682)	(4,682)	(281)	(4,963)
At 31 October 2021	2,725	69,777	(26,972)	39,188	84,718	118	84,836
At 1 November 2021	**2,725**	**69,777**	**(26,972)**	**39,188**	**84,718**	**118**	**84,836**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**3,363**	**3,363**	**(258)**	**3,105**
At 31 October 2022	**2,725**	**69,777**	**(26,972)**	**42,551**	**88,081**	**(140)**	**87,941**

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 October 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 ("**SEHK**").

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 L6, 7 Kung Chong Road, HPC Building, Singapore 159144.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 20 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

2.2 New accounting standards effective on 1 November 2021

The accounting policies adopted are consistent with those of the previous financial year except that in the current year the Group has adopted all the new and revised standards that are effective for annual financial period beginning on or after 1 November 2021. The adoption of these standards did not have any material effect on the financial performance or position 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 1: *Classification of Liabilities as Current or Non-current*	1 January 2024
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
Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	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 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 operating segment perspective.

The Group is organised into two reportable segments, namely:

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

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

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

Allocation basis and transfer pricing

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

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

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

The segment information provided to the Group's executive director for the reportable segments for the year ended 31 October 2022 and 2021 are as follows:

	General building construction *$'000*	Civil engineering *$'000*	Total *$'000*
2022			
Total segment revenue to external customers	**198,306**	**4,609**	**202,915**
Gross profit	**10,424**	**1,669**	**12,093**
Segment assets	**120,276**	**1,585**	**121,861**
Segment liabilities	**65,639**	**40**	**65,679**
2021			
Total segment revenue to external customers	180,843	7,667	188,510
Gross (loss)/profit	(3,451)	2,400	(1,051)
Segment assets	85,081	906	85,987
Segment liabilities	44,033	2,056	46,089

Reconciliations

(i) *Segment profits*

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

	2022 ***$'000***	2021 *$'000*
Gross profit/(loss) for reportable segments	**12,093**	(1,051)
Other operating income	**2,943**	4,465
Other income	**680**	732
Impairment losses on financial assets	**(7,240)**	(3,000)
Administrative expenses	**(6,866)**	(7,471)
Finance income	**131**	447
Finance costs	**(20)**	(105)
Profit/(loss) before tax	**1,721**	(5,983)

(ii) *Segment assets*

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

Segment assets are reconciled to total assets as follows:

	2022	2021
	$'000	*$'000*
Segment assets for reportable segments	**121,861**	85,987
Unallocated:		
Property, plant and equipment	**28,709**	22,594
Investment properties	**–**	5,062
Deferred tax assets	**3,431**	1,851
Investment in marketable securities	**775**	–
Other receivables, deposits and prepayments	**2,157**	2,667
Cash and cash equivalents	**23,949**	30,799
	180,882	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. 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:

	2022	2021
	$'000	*$'000*
Segment liabilities for reportable segments	**65,680**	46,089
Unallocated:		
Lease liabilities	**346**	447
Other payables and accruals	**9,885**	8,164
Borrowings	**16,692**	9,060
Income tax payable	**339**	364
	92,942	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.

Revenues derived from external customers which amount to 10 per cent or more of the Group's revenues are as follows:

	2022	2021
	$'000	*$'000*
Customer A	**57,521**	53,542
Customer B	**34,916**	32,956
Customer C	**32,365**	19,871

These revenues are attributable to the general building construction segment.

4. REVENUE

	2022	2021
	$'000	*$'000*
Revenue from contracts with customers		
Construction contract revenue	**202,915**	188,510

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

Disaggregation of revenue

	2022	2021
	S$'000	*S$'000*
By project sector		
Public sector	**52,767**	48,770
Private sector	**150,148**	139,740
	202,915	188,510

5. OTHER OPERATING INCOME AND OTHER EXPENSES

	2022	2021
	$'000	*$'000*
Government grants*	**1,396**	3,865
Sales of scrap materials	**368**	395
Rental income from investment properties	**159**	180
Others	**1,020**	25
Other operating income	**2,943**	4,465
Net foreign exchange gain/(loss)	**34**	(15)
Gain/(loss) on disposal of property, plant and equipment	**21**	(15)
Gain on disposal of investment properties	**812**	–
Fair value loss on investment in marketable securities	**(187)**	–
Gain on disposal of subsidiary	**–**	762
Other gains	**680**	732

* Government grants were received by certain subsidiaries in connection with paid leave schemes for employment of Singaporean workers and some Foreign Worker Levy Rebate (2021: Job Support Scheme, Jobs Growth Incentive, Foreign Worker Levy Rebate, BCA COVID-19 Prolongation Cost subsidy). There were no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE INCOME AND COSTS

	2022	2021
	$'000	*$'000*
Finance income:		
– Bank interest	**131**	144
– Interest income from loan receivable *(Note 13)*	**–**	303
Total finance income	**131**	447

	2022	2021
	$'000	*$'000*
Finance costs:		
Interest expense on:		
– Borrowings	**(330)**	(423)
– Lease liabilities	**(16)**	(16)
	(346)	(439)
Less: interest expense capitalised in property, plant and equipment *(Note 11)*	**326**	334
Total finance costs	**(20)**	(105)

7. PROFIT/(LOSS) BEFORE TAX

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

	2022	2021
	$'000	*$'000*
Auditors' remuneration:		
– auditor of the Company	**178**	160
Employee compensation *(Note 8)*	**29,635**	27,424
Depreciation of property, plant and equipment	**1,279**	1,535
Depreciation of investment properties	**104**	167
Operating lease rentals	**114**	143
Professional fees	**226**	214
Provision for onerous contract	**2,353**	4,001
Impairment losses on financial assets	**7,240**	3,000
Other expenses	**171**	109

8. EMPLOYEE COMPENSATION

	2022	2021
	$'000	*$'000*
Wages and salaries (including directors' emoluments)	**28,499**	26,281
Defined contribution plans	**1,136**	1,143
	29,635	27,424

Five highest paid individuals

For the years ended 31 October 2022 and 2021, the five individuals whose emoluments were the highest in the Group include 2 directors (2021: 2). The emoluments paid/payable to the remaining individuals, during the years ended 31 October 2022 and 2021 are as follows:

	2022	2021
	$'000	*$'000*
Wages and salaries	**461**	583
Bonuses	**94**	97
Defined contribution plans	**41**	36
	596	716

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

	2022	2021
Number of individuals		
Emolument band		
Nil to HK$1,000,000 (S$179,333)	**1**	1
HK$1,000,001 (S$179,333) to HK$2,000,000 (S$358,667)	**2**	2
HK$2,000,001 (S$358,667) and above	**–**	–

9. INCOME TAX CREDIT

(a) Major components of income tax credit

The major components of income tax credit for the years ended 31 October 2022 and 2021 are:

	2022	2021
	$'000	*$'000*
Current income tax		
Current year	**338**	221
(Over)/under provision in respect of previous years	**(142)**	10
Deferred income tax		
Origination and reversal of temporary difference	**(1,533)**	(1,251)
Under provision in respect of previous years	**(47)**	–
Income tax credit recognised in profit or loss	**(1,384)**	(1,020)

(b) Relationship between tax credit and profit/(loss)

A reconciliation between tax credit and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the year ended 31 October 2022 and 2021 are as follows:

	2022	2021
	$'000	*$'000*
Profit/(loss) before tax	**1,721**	(5,983)
Tax at applicable corporate tax rate of 17% (2021: 17%)	**292**	(1,017)
Adjustments:		
– Non-deductible expenses	**152**	367
– Income not subjected to tax	**(142)**	(390)
– (Over)/under provision in respect of previous years	**(190)**	10
– Effect of partial tax exemption	**(17)**	(17)
– Deferred tax assets not recognised	**–**	218
– Utilisation of tax losses previously not recognised	**(1,527)**	(191)
– Others	**48**	–
Income tax credit recognised in profit or loss	**(1,384)**	(1,020)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $Nil (2021: $8,988,000) that are available for offset against future taxable profits of the company in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provision of the tax legislation of the country in which the company operate.

(c) Deferred tax assets

The analysis of deferred tax assets is as follows:

	2022	2021
	$'000	*$'000*
Deferred tax assets		
At beginning of the financial year	**1,851**	600
Credited to profit or loss	**1,580**	1,251
At end of the financial year	**3,431**	1,851

The deferred tax assets were recognised on the provision for onerous contract and allowance for expected credit loss of trade receivables.

10. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary share.

	2022	2021
	$'000	*$'000*
Profit/(loss) for the year attributable to owners of the Company	**3,363**	(4,682)

	No. of shares	
	2022	2021
Weighted average number of ordinary shares in issue applicable to basic and diluted earnings per share (in thousands)	**1,600,000**	1,600,000
Basic and diluted earnings/(loss) per share (cents)	**0.19**	(0.3)

11. PROPERTY, PLANT AND EQUIPMENT

	Computers $'000	Furniture and fittings $'000	Motor vehicles $'000	Plant and equipment $'000	Leasehold improvements $'000	Leasehold land and building under construction $'000	Leasehold land and building $'000	Total $'000
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 and 1 November 2021	**1,221**	**955**	**2,708**	**2,267**	**60**	**20,617**	**–**	**27,828**
Additions	**45**	**147**	**–**	**–**	**–**	**7,330**	**–**	**7,522**
Disposals	**–**	**–**	**(529)**	**–**	**–**	**–**	**–**	**(529)**
At 31 October 2022	**1,266**	**1,102**	**2,179**	**2,267**	**60**	**27,947**	**–**	**34,821**
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 and 1 November 2021	**972**	**356**	**1,464**	**1,976**	**58**	**408**	**–**	**5,234**
Depreciation for the year	**137**	**279**	**228**	**213**	**2**	**420**	**–**	**1,279**
Disposals	**–**	**–**	**(401)**	**–**	**–**	**–**	**–**	**(401)**
At 31 October 2022	**1,109**	**635**	**1,291**	**2,189**	**60**	**828**	**–**	**6,112**
Net carrying amount:								
At 31 October 2021	249	599	1,244	291	2	20,209	–	22,594
At 31 October 2022	**157**	**467**	**888**	**78**	**0**	**27,119**	**–**	**28,709**

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 financial year, the borrowing costs capitalised as cost of leasehold land and building under construction amounted to $326,000 (2021: $334,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.75% to 4.0% (2021: 1.75%) per annum, which is the effective interest rate of the specific borrowing (Note 19).

Assets pledged as security

The Group's leasehold land and leasehold building under construction with a carrying amount of $26,173,000 (2021: $20,210,000) are mortgaged to secure the Group's bank loan (Note 19).

12. INVESTMENT PROPERTIES

	Freehold strata property unit *$'000*	Leasehold strata property unit *$'000*	Total *$'000*
Cost:			
At 1 November 2020, 31 October 2021, 1 November 2021	3,067	2,751	5,818
Disposals	(3,067)	(2,751)	(5,818)
At 31 October 2022	–	–	–
Accumulated depreciation:			
At 1 November 2020	184	405	589
Depreciation of the year	61	106	167
At 31 October 2021 and 1 November 2021	**245**	**511**	**756**
Depreciation for the year	**51**	**53**	**104**
Disposals	**(296)**	**(564)**	**(860)**
At 31 October 2022	–	–	–
Net carrying amount:			
At 31 October 2021	2,822	2,240	5,062
At 31 October 2022	–	–	–

During the financial year, the following investment properties were disposed:

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

The Group sold investment properties with total net carrying amount of $4,958,000 (2021: $Nil) for a cash consideration of $5,770,000 (2021: $Nil). The net gain on these disposals were recognised as part of "Other income" in the consolidated statement of comprehensive income.

13. TRADE RECEIVABLES

	2022 *$'000*	2021 *$'000*
Trade receivables*	**60,804**	45,931
Loan receivable	**–**	3,448
	60,804	49,379
Less: Allowance for expected credit losses	**(11,390)**	(4,150)
	49,414	45,229

* Included in trade receivables is retention receivables of $2,473,000 and $2,115,000 as at 31 October 2022 and 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 sums vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

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:

	2022 *$'000*	2021 *$'000*
– Less than 3 months	**33,296**	19,709
– 3 to 6 months	**2,755**	969
– Over 6 months to one year	**2,007**	9,104
– More than 1 year	**22,746**	19,597
	60,804	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 $11,390,000 (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 $30,097,000 (2021: $27,952,000) as at 31 October 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:

	2022	2021
	$'000	*$'000*
Trade receivables past due but not impaired:		
– Past due less than 3 months	**864**	6,911
– Past due 3 to 6 months	**1,886**	4,040
– Past due more than 6 months to 1 year	**3,183**	5,671
– Past due more than 1 year	**24,164**	11,330
	30,097	27,952

Expected credit losses

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

	Trade receivables	**Contract assets**	**Total**
	$'000	*$'000*	*$'000*
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**
Charge for the year	**7,240**	**–**	**7,240**
At 31 October 2022	**11,390**	**–**	**11,390**

14. INVESTMENT IN MARKETABLE SECURITIES

The investment in marketable securities, which 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. CONTRACT ASSETS/LIABILITIES

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

	31 October 2022	31 October 2021	1 November 2021
	$'000	*$'000*	*$'000*
Construction contracts:			
Trade receivables	**60,804**	45,931	41,285
Contract assets	**72,448**	40,758	31,480
Contract liabilities	**178**	7,783	19,791

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

Included within contract assets is an amount of $30,657,000 (2021: $28,071,700) 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 assets.

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:

	2022	2021
	$'000	*$'000*
Contract assets reclassified to receivables	**(7,069)**	(15,157)
Right to consideration for work completed but not yet billed	**38,759**	24,434

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

	2022	2021
	$'000	*$'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	**(7,783)**	(15,101)
Advance received from customers	**178**	3,093

(iii) Unsatisfied performance obligations

	2022	2021
	$'000	*$'000*
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied as at 31 October		
Construction contracts		
Within one year	**304,175**	123,736
More than one year	**98,815**	191,860
	402,990	315,596

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.

16. CASH AND CASH EQUIVALENTS

	2022	2021
	$'000	*$'000*
Cash at banks	**15,821**	15,709
Short-term bank deposits	**8,128**	15,090
Cash and cash equivalents in the consolidated statement of cash flows	**23,949**	30,799

The carrying amounts of cash and cash equivalents denominated in United States Dollars and Hong Kong Dollars amounted to $591,000 (2021: $601,000) and $110,000 (2021: $181,000), 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.

17. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	2022	2021
	$'000	*$'000*
Current		
Trade payables	**23,548**	9,594
Retention payables	**10,061**	10,131
Accrued construction costs	**20,774**	8,999
Total trade and retention payables	**54,383**	28,724
Deposits	**4**	154
Accrued expenses	**2,297**	1,053
Goods and services tax payables	**1,539**	279
Other payables	**3,521**	4,154
Total other payables and accruals	**7,361**	5,640
Non-current		
Retention payables	**2,653**	3,469
Amount due to non-controlling shareholders	**2,524**	2,524

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 in 2027.

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:

	2022	2021
Borrowing rates	**5.0%**	1.75%
Retention payables *($'000)*	**2,527**	3,410
Borrowing rates	**5.0%**	1.75%
Amount due to non-controlling shareholders *($'000)*	**2,183**	2,459

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

	2022	2021
	$'000	*$'000*
– Less than 3 months	**22,513**	8,290
– 3 to 6 months	**334**	476
– Over 6 months to 1 year	**230**	89
– More than 1 year	**471**	739
	23,548	9,594

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

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

18. LEASES

The Group has lease contract 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	**Leasehold land** ***Note 11***	**Total**
	$'000	*$'000*	*$'000*
As at 1 November 2020	999	768	1,767
Disposals	–	(768)	(768)
Depreciation	(120)	–	(120)
As at 31 October 2021	**879**	**–**	**879**
Disposals	**–**	**–**	**–**
Depreciation	**(120)**	**–**	**(120)**
As at 31 October 2022	**759**	**–**	**759**

Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are disclosed in Note 18.

Amounts recognised in statement of comprehensive income

	2022	2021
	$'000	*$'000*
Depreciation of right-of-use assets	**120**	120
Interest expense on lease liabilities	**16**	16
Expenses relating to short term leases (included in other expenses)	**114**	143
	250	279

Total cash outflow

The Group had total cash outflows for leases of $117,000 (2021: $117,000) and non-cash additions to right-of-use assets and lease liabilities of $Nil (2021: $Nil) in 2022. The Group had not acquired motor vehicles in the year ended 31 October 2022 and 2021.

19. BORROWINGS

		2022	2021
	Maturity	***$'000***	*$'000*
Current			
S$ bank loan	2035	**1,237**	720
		1,237	720
Non-current			
S$ bank loan	2035	**15,455**	8,340
		15,455	8,340

S$ bank loan

The loan which matures on 2035 is repayable over 180 monthly instalments and the effective interest rates for the loans ranged from 1.75% to 4.0% (2021:1.75%).

The loan is secured by first mortgage over certain property (Note 11) 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 on the secured property.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	1 November 2021	**Cash inflows**	**Cash outflows**	**Others***	**31 October 2022**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Borrowings					
– Current	**720**	**565**	**(768)**	**720**	**1,237**
– Non-current	**8,340**	**7,835**	**–**	**(720)**	**15,455**
Lease liabilities					
– Current	**101**	**–**	**(101)**	**101**	**101**
– Non-current	**346**	**–**	**–**	**(101)**	**245**
Amount owing to non-controlling shareholders (non-current)	**2,524**	**–**	**–**	**–**	**2,524**
	12,031	**8,400**	**(869)**	**–**	**19,562**

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

	1 November 2020	Cash inflows	Cash outflows	Others*	31 October 2021
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
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 in the previous year

20. INVESTMENT IN SUBSIDIARIES

(a) Composition of the Group

Name of company (Country of incorporation)	Principal activities	Particulars of share capital	Percentage of equity held by the Group 2022 %	2021 %
Held by the Company				
HPC Investments Limited (British Virgin Islands) [i]	Investment holding	US$1	**100**	100
DHC Investments Limited (British Virgin Islands) [i]	Investment holding	US$1	**100**	100
Held through HPC Investments Limited				
HPC Builders Pte. Ltd. (Singapore) [i]	General contractors	$15,000,000	**100**	100
Held through DHC Investments Limited				
DHC Construction Pte. Ltd. (Singapore) [i]	General contractors	$3,000,000	**100**	100
Held through HPC Builders Pte. Ltd.				
[(1)] Regal Haus Pte. Ltd. (Singapore) [i]	Investment holding and engineering design and consultancy services	$510,000	**51**	51
Aasperon Venture Pte. Ltd.	Investment holding	$1,300,000	**–**	–

i. Audited by Ernst & Young LLP

(1) On 13 July 2018, the Group acquired 51% equity interest in a dormant company, Regal Haus Pte. Ltd.. The directors are of the view that the non-controlling interests of 49% in the subsidiary are not material to the Group for both the year ended 31 October 2022 and 31 October 2021.

21. SHARE CAPITAL AND SHARE PREMIUM

Authorised ordinary shares

	Number of shares *'000*	Share capital *HK$'000*
As at 1 November 2020, 31 October 2021, 1 November 2021 and 31 October 2022	10,000,000	100,000

Ordinary shares

	Number of shares issued and fully paid *'000*	Share capital *$'000*	Share premium *$'000*
At 1 November 2020, 31 October 2021, 1 November 2021 and 31 October 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.

22. 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.

23. COMMITMENTS

Operating lease commitments – where the Group is a lessor

The investment properties were disposed during the year together with lease agreements.

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:

	2022 ***$'000***	2021 *$'000*
Within one year	**–**	191
Two to five years	**–**	316
	–	507

24. DIVIDENDS

The Board does not recommend to declare any final dividend for the year ended 31 October 2022.