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 2023

The board (the "**Board**") of directors (the "**Directors**") of HPC Holdings Limited (the "**Company**" or "**HPC**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 October 2023 (the "**Financial Year**") together with the comparative figures for the corresponding period in 2022 (the "**Previous Period**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, Singapore's construction market is competitive, both government projects and private projects are active and demanding, construction prices are less volatile compared with 2022. Most of the building materials and subcontractors' prices are increasing due to global inflation, Russia-Ukraine war, Israel-Hamas war, and geo-political tension between China and the United States; these cause project bidding prices in construction market in the uptrend direction and construction cost increases substantially.

According to the Building Construction Authority (the "**BCA**") of Singapore, preliminary construction demand for 2023 reached S$33.8 billion, due to an uptrend in tender prices, expediting of construction awards for several private residential projects and ramping up of public housing projects of Housing Development Board ("**HDB**"). This exceeded BCA's forecast of S$27 billion to S$32 billion in January 2023. (Refer to BCA/Steady Demand for the Construction Sector Projected for 2024/Monday, 15 January 2024)

With the above headwinds, the Group's tender procedures and pricing strategy are to be more cautious in the current intense bidding price competition. In 2023, the Group had managed to secure four new projects, (a) Tiong Nam Logistics (S) warehouse project awarded in March 2023, with a contract sum of S$36.50 million; (b) 27 International Business Park, 11 storeys with 2 levels basement corporate office building awarded in July 2023, with a contract sum of S$101.74 million; (c) Chasen high-tech industrial building awarded in September 2023, with a contract sum of S$61.28 million; and (d) Loyang North Substation building awarded by Jurong Town Council ("**JTC**"), a Singapore government agency, with a contract sum of S$29.52 million. During the Financial Year, the Group managed to secure new projects with total contract sum of S$229.04 million.

For the awarded new projects (b), client-CapitaLand and (d), client-JTC are repeated clients, which we have completed their projects in 2020 and 2018 respectively. With the tender outcome was relatively fierce bidding and the newly awarded projects, the Group managed to sustain a healthy order book value at S$261.50 million as of 31 December 2023.

During the second-half of 2023, the Group has successfully delivered Silicon Box semi-conductor wafer fab project and obtained BCA Temporary Occupation Certificate ("**TOP**") in Phase 1 and Phase 2, the TOP was obtained in July 2023 and August 2023 respectively. Currently, the Group has 7 ongoing projects i.e., HDB – 786 Build To Order ("**BTO**") units at Tengah Garden C6, Global Indian International School, Pilot Mechanical Biological Treatment Plant, Tiong Nam Warehouse, 27IBP corporate office building (11 storeys and 2 levels basement), Chasen high-tech industrial building and JTC Loyang North Substation. Where Global Indian International School, will be delivered by 1st quarter of 2024, Pilot Mechanical Biological Treatment Plant will be delivered by 2nd quarter of 2024, Tiong Nam warehouse and HDB – 786 BTO units will be delivered by the 3rd quarter of 2024.

FINANCIAL REVIEW

According to Monetary Authority of Singapore (the "**MAS**"), despite the core inflation of Singapore remains at average approximately 4% through the year 2023, the gross domestic products ("**GDP**") of construction industry in the first three quarters of 2023 grows strongly at average 7.2% as compared to the same period of year 2022. (Refer to MTI Singapore Department of Statistics/Release of Advance GDP Estimates, 3rd Quarter 2023)

With the strong growth trend of the industrial production, the Company achieved a surge in the financial performance and we are pleased to turn into profit from loss in this Financial Year.

Revenue and Gross Profit

The Group registered a surge of approximately 42.54% in revenue for the Financial Year as compared with the Previous Period from approximately S$202.90 million to approximately S$289.20 million. Revenue increased by approximately S$86.30 million as a result of full capacity of construction activities was resumed compared with the Previous Period, particularly due to on time completion of one semiconductor plant project with tight project period.

The gross profit of the Group increased from approximately S$12.09 million to S$13.00 million profits for the Financial Year as compared with the Previous Period, an approximately 7.40% increment. However, gross profit margin shrink further from approximately 5.96% to 4.49%. The increment of gross profit was the natural result of the strong recovery of the construction activity. However, the consistently high inflation rate and increment of Goods and Services Tax ("**GST**") of Singapore in 2023 eroded further the post-COVID competitive profit margin.

Other Operating Income and Expenses

Other operating income and expenses of the Group for the Financial Year decreased by approximately S$338 thousand, primarily due to all government subsidies granted from Singapore Government to assist business to defray the cost caused by the pandemic had been utilized in the Previous Period.

Administrative Expenses

The Group incurred more administrative expenses for the Financial Year compared with the Previous Period. Administrative expenses increased by approximately S$588 thousand from approximately S$6.87 million to S$7.45 million. The increment of the administrative expenses was primarily due to more staff remuneration and professional cost driven by the strong growth of the business activities.

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 recorded income tax expenses approximately S$1.05 million.

Profit After Tax

As a result of the combined effects mentioned above, the Company recorded a net profit after tax at approximately S$3.10 million, a “U” turn from loss of S$424 thousand, equivalent to approximately 8 times growth.

Dividends

The Company did not declare any interim dividend during the Financial Year, the Board also do not recommend any final dividend to be distributed for the Financial Year (2022: 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 1.89 and 2.0 as at 31 October 2023 and 31 October 2022, respectively.

Borrowings and Gearing

The Group's borrowings are related 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 7 Kung Chong Road (the "**HPC BUILDING**" and "**7 Kung Chong Road Project**", respectively).

Gearing ratios (defined as total borrowings divided by total equity) of the Group are 21.10% and 23.20% as at 31 October 2023 and 31 October 2022, respectively, and the decrease of gearing ratio was mainly due to the repayments of loan pertaining to the 7 Kung Chong Road Project mentioned above during the 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 for 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 31 October 2023, the acquired land was mortgaged to secure the Group's bank loan. One of the subsidiaries of the Group, 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 2023, 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, part of the capital expenditure of the Group was spent on the construction and financing cost of the 7 Kung Chong Road Project and some construction site equipments.

On 30 June 2023, one of the wholly-owned subsidiaries of the Group, DHC Construction Pte Ltd received the letter and the lease offer from JTC, a Singapore government agency, confirming that its tender for the lease of the premises at 5 Tuas Basin Link, Singapore 638759 at the tendered premises premium of S$5,535 thousand (exclusive of prevailing GST) was accepted. The details of the transaction were announced on 4 July 2023 and the transaction was approved by the shareholders of the Company (the "**Shareholders**") in accordance with Rule 14.44 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**SEHK**" and "**Listing Rules**", respectively).

EMPLOYEE INFORMATION

As at 31 October 2023, the Group had 1,007 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$32 million (2022: S$29 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

According to BCA data, total construction demand in 2024 is projected to be between S$32 billion and S$38 billion, with the public sector contributing about 55% of the total demand. Enhancement of public procurement framework to support consultants in Built Environment sector and encourage more sustainable business practices, adjust allocation of risks as well as maintain fair and timely remuneration for consultants. The public sector is expected to drive total construction demand between S$18 billion and S$21 billion, mainly from public housing and infrastructure projects. The private sector construction demand is projected to be between S$14 billion and S$17 billion in 2024. (Refer to BCA/Steady Demand for the Construction Sector Projected for 2024/Monday, 15 January 2024)

With the coming completion of Silicon Box Semiconductor Wafer Fab in 3rd quarter of 2023 at a contract sum and variation orders of more than S$350 million and completion within 11 months, the Group makes a remarkable achievement, and this brings the reputation for the Group to further explore in semiconductor wafer fab projects. Besides, the Group also works together with developers for coming international schools' projects by optimizing the land use and introducing location advantage to improve the efficiency of such facilities. The Group has completed North London Collegiate School in 2021 and Global Indian International School is on the coming completion in 1st quarter of 2024. By successfully completion of these 2 international school projects, the Group has gained strong track records among the international schools' market, and with the support and pushing of international schools' market by the Singapore government, the Group will have more tender opportunities in international school building bidding exercise.

Furthermore, the Group also works together with a few prime logistics properties for the new green-field warehouse with cold-room facilities, as the demand of such facilities are nearly reached to full occupancy and has even begun to spill over to lower-specification logistics space.

The Group will still have to cope with the lower gross profits margin due to current high level of building materials prices, labour costs and the intense competition from other contractors. With a healthy order book value of S$261.50 million as of 31 December 2023, which will allow the Group to have more time to select better projects in the coming months to achieve sustainable growth instead of tendering aggressively. The management shall work positively to ensure the Group is able to sail through these volatile and intensely competitive markets and to excel further.

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 listed on the Main Board of 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 (which has been re-numbered as Appendix C3 with effect from 31 December 2023) of 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 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 the mandatory disclosure requirements and the applicable code provisions as set out in the section headed "Part 2 — Principles of good corporate governance, code provisions and recommended best practices" of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 (which has been re-numbered as Appendix C1 with effect from 31 December 2023) of the Listing Rules during the Financial Year with the exception of code provisions C.1.6 and C.2.1.

Under the code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Zhu Dong and Mr. Gng Hoon Liang, the independent non-executive Directors of the Company, were unable to attend the annual general meeting of the Company held on 28 April 2023.

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 October 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee was further updated on 15 December 2023 and 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 MCMILLAN WOODS (HONG KONG) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 October 2023, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 October 2023 as set out in this announcement have been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"), to the amounts set out in the Group's unaudited consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by McMillan Woods.

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*).

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

Singapore, 31 January 2024

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 2023

	Notes	2023 $'000	2022 $'000
Revenue	4	**289,235**	202,915
Cost of sales		**(276,247)**	(190,822)
Gross profit		**12,988**	12,093
Other operating income and expenses	5	**2,605**	2,943
Administrative expenses		**(7,454)**	(6,866)
Impairment losses on financial assets	7	**(3,784)**	(11,491)
Other gain, net	5	**3**	680
Finance income	6	**506**	131
Finance costs	6	**(708)**	(20)
Profit/(loss) before tax	7	**4,156**	(2,530)
Income tax (expense)/credit	8	**(1,054)**	2,106
Profit/(loss) for the year, representing total comprehensive income/(expense) for the year		**3,102**	(424)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**3,398**	(166)
Non-controlling interests		**(296)**	(258)
		3,102	(424)
Earnings/(loss) per share attributable to owners of the Company			
– Basic (cents)	10	**0.21**	(0.01)
– Diluted (cents)	10	**0.21**	(0.01)

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

CONSOLIDATED BALANCE SHEET
As at 31 October 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Non-current assets			
Property, plant and equipment		**34,099**	28,709
Deferred tax assets	8	**4,328**	4,153
		38,427	32,862
Current assets			
Trade receivables	11	**40,525**	45,163
Other receivables, deposits and prepayments		**2,293**	2,157
Investment in marketable securities		**837**	775
Contract assets		**50,607**	72,448
Bank deposits		**2,052**	–
Cash and cash equivalents		**45,278**	23,949
		141,592	144,492
Total assets		**180,019**	177,354
EQUITY AND LIABILITIES			
Current liabilities			
Trade and retention payables	12	**54,048**	54,383
Other payables and accruals	12	**7,359**	7,361
Provisions		**5,884**	8,466
Contract liabilities		**4,914**	178
Lease liabilities		**93**	101
Borrowings		**1,334**	1,237
Income tax payable		**1,245**	339
		74,877	72,065
Net current assets		**66,715**	72,427

	Notes	**2023** **$'000**	2022 *$'000*
Non-current liabilities			
Retention payables	*12*	**579**	2,653
Other payables	*12*	**2,524**	2,524
Lease liabilities		**151**	245
Borrowings		**14,374**	15,455
		17,628	20,877
Total liabilities		**92,505**	92,942
Equity attributable to owners of the Company			
Share capital		**2,725**	2,725
Share premium		**69,777**	69,777
Capital reserves		**(26,972)**	(26,972)
Retained profits		**42,420**	39,022
		87,950	84,552
Non-controlling interests		**(436)**	(140)
Total equity		**87,514**	84,412
Total equity and liabilities		**180,019**	177,354

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 October 2023

	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 2021	2,725	69,777	(26,972)	39,188	84,718	118	84,836
Loss for the year, representing total comprehensive expense for the year	–	–	–	(166)	(166)	(258)	(424)
At 31 October 2022	2,725	69,777	(26,972)	39,022	84,552	(140)	84,412
At 1 November 2022	**2,725**	**69,777**	**(26,972)**	**39,022**	**84,552**	**(140)**	**84,412**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**3,398**	**3,398**	**(296)**	**3,102**
At 31 October 2023	**2,725**	**69,777**	**(26,972)**	**42,420**	**87,950**	**(436)**	**87,514**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 October 2023

1. CORPORATE INFORMATION

HPC Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 13 October 2016 as an exempted company with limited liability under the Companies Law of the Cayman Island and is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at 7 Kung Chong Road, HPC BUILDING, Level 6, Singapore 159144.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 22 to the consolidated 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 consolidated financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below. The consolidated financial statements are presented in the Company's functional currency, Singapore Dollars (SGD or $), and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 New accounting standards effective on 1 November 2022

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 2022. 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 21: *Lack of Exchangeability*	1 January 2025
Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 7 and IFRS 17: *Supplier Finance Arrangements*	1 January 2024
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
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Available for optional adoption/effective date deferred indefinitely

The directors expect that the adoption of the standards above will have no material impact on the consolidated 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. Group financing (including finance costs), and income taxes 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 2023 and 2022 are as follows:

	General building construction $'000	Civil engineering $'000	Total $'000
2023			
Total segment revenue to external customers	**283,616**	**5,619**	**289,235**
Gross profit	**12,585**	**403**	**12,988**
Segment assets	**88,312**	**2,820**	**91,132**
Segment liabilities	**63,338**	**2,086**	**65,424**
2022			
Total segment revenue to external customers	198,306	4,609	202,915
Gross profit	10,424	1,669	12,093
Segment assets	116,026	1,585	117,611
Segment liabilities	65,640	40	65,680

Reconciliations

(i) *Segment profits*

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

	2023 ***$'000***	2022 *$'000*
Gross profit for reportable segments	**12,988**	12,093
Other operating income and expenses	**2,605**	2,943
Other gains, net	**3**	680
Impairment losses on financial assets	**(3,784)**	(11,491)
Administrative expenses	**(7,454)**	(6,866)
Finance income	**506**	131
Finance costs	**(708)**	(20)
Profit/(loss) before tax	**4,156**	(2,530)

(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:

	2023	2022
	$'000	*$'000*
Segment assets for reportable segments	**91,132**	117,611
Unallocated:		
Property, plant and equipment	**34,099**	28,709
Deferred tax assets	**4,328**	4,153
Investment in marketable securities	**837**	775
Other receivables, deposits and prepayments	**2,293**	2,157
Cash and cash equivalents	**47,330**	23,949
	180,019	177,354

(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:

	2023	2022
	$'000	*$'000*
Segment liabilities for reportable segments	**65,424**	65,680
Unallocated:		
Lease liabilities	**244**	346
Other payables and accruals	**9,884**	9,885
Borrowings	**15,708**	16,692
Income tax payable	**1,245**	339
	92,505	92,942

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:

	2023	2022
	$'000	*$'000*
Customer A*	**N/A**	57,521
Customer B	**45,217**	34,916
Customer C	**136,393**	32,365
Customer D	**35,997**	27,373

These revenues are attributable to the general building construction segment.

* Revenue contributed by the customer for the year ended 31 October 2023 was less than 10 per cent of the Group's revenues.

4. REVENUE

	2023	2022
	$'000	*$'000*
Revenue from contracts with customers		
Construction contract revenue	**289,235**	202,915

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

Disaggregation of revenue

	2023	2022
	S$'000	*S$'000*
By project sector		
Public sector	**80,403**	52,767
Private sector	**208,832**	150,148
	289,235	202,915

5. OTHER OPERATING INCOME AND EXPENSES

	2023	2022
	$'000	*$'000*
Government grants*	**69**	1,396
Sales of scrap materials	**902**	368
Rental income from partial own used property classified as property, plant and equipment	**132**	–
Rental income from investment properties	**–**	159
Others	**1,502**	1,020
Other operating income and expenses	**2,605**	2,943
Net foreign exchange (loss)/gain	**(22)**	34
Gain on disposal of property, plant and equipment	**–**	21
Gain on disposal of investment properties	**–**	812
Fair value gain/(loss) on investment in marketable securities	**25**	(187)
Other gains, net	**3**	680

* Government grants were received by certain subsidiaries in connection with paid leave schemes for employment of Singaporean workers, Wage Credit Scheme offered by the Inland Revenue Authority of Singapore, and Special Employment Credit offered by the Ministry of Manpower (2022: paid leave schemes for employment of Singaporean workers and some Foreign Worker Levy Rebate). There were no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE INCOME AND COSTS

	2023	2022
	$'000	*$'000*
Finance income:		
Bank interest	**506**	131
Finance costs:		
Interest expense on:		
– Borrowings	**(878)**	(330)
– Lease liabilities	**(16)**	(16)
	(894)	(346)
Less: interest expense capitalised in property, plant and equipment	**186**	326
Total finance costs	**(708)**	(20)

7. PROFIT/(LOSS) BEFORE TAX

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

	2023	2022
	$'000	*$'000*
Auditors' remuneration:		
– auditors of the Company	**150**	178
Employee compensation	**32,369**	29,635
Depreciation of property, plant and equipment	**1,458**	1,279
Depreciation of investment properties	**–**	104
Operating lease rentals	**70**	114
Professional fees	**389**	226
(Reversal of)/provision for onerous contract	**(2,582)**	2,353
Impairment losses on financial assets	**3,784**	11,491
Other expenses	**878**	171

8. INCOME TAX EXPENSE/(CREDIT)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is exempted from any income tax in the Cayman Islands and the BVI.

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits.

(a) Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 October 2023 and 2022 are:

	2023	2022
	$'000	*$'000*
Current income tax		
Current income tax	**1,235**	338
Over provision in respect of previous years	**(6)**	(142)
Deferred income tax		
Origination and reversal of temporary difference	**(175)**	(2,255)
Under provision in respect of previous years	**–**	(47)
Income tax expense/(credit) recognised in profit or loss	**1,054**	(2,106)

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

A reconciliation between tax expense/(credit) and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the year ended 31 October 2023 and 2022 are as follows:

	2023	2022
	$'000	*$'000*
Profit/(loss) before tax	**4,156**	(2,530)
Tax at applicable corporate tax rate of 17% (2022: 17%)	**707**	(430)
Adjustments:		
– Non-deductible expenses	**482**	152
– Income not subjected to tax	**–**	(142)
– (Over) provision in respect of previous years	**(6)**	(190)
– Effect of partial tax exemption	**(35)**	(17)
– Utilisation of tax losses previously not recognised	**–**	(1,527)
– Others	**(94)**	48
Income tax expense/(credit) recognised in profit or loss	**1,054**	(2,106)

Unrecognised tax losses

At the end of the Financial Year, the Group has tax losses of approximately $Nil (2022: Nil) 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:

	2023	2022
	$'000	*$'000*
Deferred tax assets		
At beginning of the financial year	**4,153**	1,851
Credited to profit or loss	**175**	2,302
At end of the financial year	**4,328**	4,153

The deferred tax assets of approximately $3,302,000 (2022: $2,659,000) and approximately $1,000,000 (2022: $1,439,000) were mainly recognised on the provision for onerous contract and allowance for expected credit loss of trade receivables, respectively.

9. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 October 2023 (2022: Nil).

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) 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 Financial Year.

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

	2023	2022
	$'000	*$'000*
Profit/(loss) for the year attributable to owners of the Company	**3,398**	(166)

	2023	2022
Weighted average number of ordinary shares in issue applicable to basic and diluted earnings/(loss) per share (in thousands)	**1,600,000**	1,600,000
Basic and diluted earnings/(loss) per share (cents)	**0.21**	(0.01)

11. TRADE RECEIVABLES

	2023	2022
	$'000	*$'000*
Trade receivables*	**59,950**	60,804
Less: Allowance for expected credit losses	**(19,425)**	(15,641)
	40,525	45,163

* Included in trade receivables is retention receivables of $83,000 and $2,473,000 as at 31 October 2023 and 2022 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:

	2023	2022
	$'000	*$'000*
– Less than 3 months	**30,910**	33,296
– 3 to 6 months	**4,672**	2,755
– Over 6 months to one year	**1,262**	2,007
– More than 1 year	**3,681**	7,105
	40,525	45,163

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 $19,425,000 (2022: $15,641,000), 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 $25,426,000 (2022: $14,097,000) as at 31 October 2023 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:

	2023	2022
	$'000	*$'000*
Trade receivables past due but not impaired:		
– Past due less than 3 months	**18,150**	864
– Past due 3 to 6 months	**2,442**	1,886
– Past due more than 6 months to 1 year	**1,278**	3,183
– Past due more than 1 year	**3,556**	8,164
	25,426	14,097

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 *$'000*	**Contract assets** *$'000*	**Total** *$'000*
Movement in allowance accounts:			
At 1 November 2021	4,150	–	4,150
Charge for the year	11,491	–	11,491
At 31 October 2022	**15,641**	**–**	**15,641**
Charge for the year	**3,784**	**–**	**3,784**
At 31 October 2023	**19,425**	**–**	**19,425**

Set out below is the information about the credit risk exposure of the Group's trade receivables and contract assets using a provision matrix:

2023

	Non credit-impaired ***$'000***	**Credit-impaired** ***$'000***	**Total** ***$'000***
Gross carrying amount	**91,132**	**19,425**	**110,557**
Expected credit losses	**–**	**(19,425)**	**(19,425)**
Expected credit loss rate	**0%**	**100%**	**91,132**

2022

	Non credit-impaired *$'000*	Credit-impaired *$'000*	Total *$'000*
Gross carrying amount	114,996	18,256	133,252
Expected credit losses	–	(15,641)	(15,641)
Expected credit loss rate	0%	86%	117,611

12. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	2023	2022
	$'000	*$'000*
Current		
Trade payables	**19,578**	23,548
Retention payables	**22,740**	10,061
Accrued construction costs	**11,730**	20,774
Total trade and retention payables	**54,048**	54,383
Deposits	**171**	4
Accrued expenses	**2,763**	2,297
Goods and services tax payables	**528**	1,539
Other payables	**3,897**	3,521
Total other payables and accruals	**7,359**	7,361
Non-current		
Retention payables	**579**	2,653
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 is 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:

	2023	2022
Borrowing rates	**5.3%**	5.0%
Retention payables *($'000)*	**549**	2,527
Borrowing rates	**5.3%**	5.0%
Amount due to non-controlling Shareholders *($'000)*	**2,209**	2,183

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

	2023	2022
	$'000	*$'000*
– Less than 3 months	**18,197**	22,513
– 3 to 6 months	**263**	334
– Over 6 months to 1 year	**54**	230
– More than 1 year	**1,064**	471
	19,578	23,548

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

Retention payables were not yet past due as at 31 October 2023 and 2022 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.