THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all the shares in **HPC Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

HPC Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1742)

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE REMAINING 49% EQUITY INTEREST IN REGAL HAUS AND NOTICE OF ANNUAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Vinco Financial Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the terms of the Agreement and the Acquisition is set out on page 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Acquisition is set out on pages 22 to 45 of this circular.

A notice convening the AGM to be held at 7 Kung Chong Road, HPC Building, Singapore 159144 on Tuesday, 30 April 2024 at 09:30 a.m. is set out on pages AGM-1 to AGM-6 of this circular. A form of proxy for use at the AGM is also enclosed with this circular. Whether or not you are intending to attend and vote at the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM (i.e. by 09:30 a.m. on Sunday, 28 April 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the AGM or any adjournment thereof if they so wish and in such event, the form of proxy shall be deemed to be revoked.

8 April 2024

CONTENTS

		PAGE
DEFINITIONS		1
LETTER FROM THE BOARD		6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE		21
LETTER FROM VINCO FINANCIAL		22
APPENDIX I	– FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II	– ACCOUNTANTS' REPORT OF REGAL HAUS	II-1
APPENDIX III	– MANAGEMENT DISCUSSION AND ANALYSIS OF REGAL HAUS	III-1
APPENDIX IV	– UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	IV-1
APPENDIX V	– VALUATION REPORT OF THE PROPERTY	V-1
APPENDIX VI	– GENERAL INFORMATION	VI-1
NOTICE OF ANNUAL GENERAL MEETING		AGM-1

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"2019 Circular"	the circular of the Company dated 28 June 2019 in relation to, among others, the acquisition and redevelopment of the Property
"2023 Announcement"	the announcement of the Company dated 1 February 2023 in relation to the Tenancy Agreement
"Acquisition"	the acquisition of the Sale Shares by HPC Builders from Mr. Wang and Mr. Shi under the terms of the Agreement
"AGM"	the annual general meeting of the Company to be held at 7 Kung Chong Road, HPC Building, Singapore 159144 on Tuesday, 30 April 2024 at 09:30 a.m. for the purpose of considering, and if thought fit, approving, among others, (i) the granting to the Directors of the general mandates to allot, issue and deal with new Shares (and the extension thereof) and repurchase Shares; (ii) the re-election of the retiring Director; (iii) the election of the independent non-executive Director; and (iv) the Agreement and the Acquisition
"Agreement"	the sale and purchase agreement dated 5 February 2024 entered into among Mr. Wang, Mr. Shi and HPC Builders in respect of the Acquisition
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of the Directors
"Business Day(s)"	day(s) on which banks in Singapore are generally open for business
"Company"	HPC Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1742)
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Agreement

"Completion Date"	the date on which the Completion takes place which shall be within five Business Days (or such other date as agreed among Mr. Wang, Mr. Shi and HPC Builders in writing) following fulfilment of all conditions precedent to the Completion pursuant to the Agreement
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Creative Value"	Creative Value Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 100% by Mr. Shi and is a controlling Shareholder
"DHC Construction"	DHC Construction Pte. Ltd., a company incorporated in Singapore with limited liability which is an indirect wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Encumbrances"	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrances or security interests of any kind, or any other types of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
"Enlarged Group"	the Group as enlarged by the Acquisition upon the Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HPC Builders"	HPC Builders Pte. Ltd., a company incorporated in Singapore with limited liability which is an indirect wholly-owned subsidiary of the Company

"HPC Building"	the seven-storey industrial building with one level of basement carpark and ancillary office with a total gross floor area of approximately 4,050.8 sq. m. and situated at 7 Kung Chong Road, HPC Building, Singapore 159144
"Independent Board Committee"	the independent committee of the Board, comprising all three independent non-executive Directors who do not have a material interest in the Acquisition, formed for the purpose of advising the Independent Shareholders in respect of the terms of the Agreement and the Acquisition
"Independent Financial Adviser" or "Vinco Financial"	Vinco Financial Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Acquisition
"Independent Shareholder(s)"	the Shareholder(s) who is/are not required to abstain from voting on the resolution approving the Agreement and the Acquisition at the AGM due to any material interest in the Acquisition
"Independent Third Party(ies)"	third party(ies) who is/are independent of the Company and its connected persons
"Independent Valuer"	RHT Valuation Pte. Ltd., an independent qualified valuer engaged by the Company to appraise the value of the Property
"Latest Practicable Date"	3 April 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mandate Circular"	the circular of the Company dated even date of this circular in relation to, among others, proposals for (i) general mandates to issue Shares and repurchase Shares; (ii) re-election of retiring Director; and (iii) election of independent non-executive Director
"Model Code"	Model Code of Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"Mr. Shi"	Mr. Shi Jianhua, the chief operations officer of the Company, an executive Director and a controlling Shareholder
"Mr. Wang"	Mr. Wang Yingde, the chairman of the Board, the chief executive officer of the Company, an executive Director and a controlling Shareholder
"Notice"	the notice convening the AGM dated 8 April 2024 set out on pages AGM-1 to AGM-6 of this circular
"Premise"	the premise situated at Level 4 to Level 7 of HPC Building
"Previous Acquisition"	the acquisition of 51.00% of the entire equity interest in Regal Haus by HPC Builders from Mr. Wang and Mr. Shi under the terms of the Previous Agreement
"Previous Agreement"	the sale and purchase agreement dated 12 July 2018 entered into among Mr. Wang, Mr. Shi and HPC Builders in respect of the Previous Acquisition
"Property"	the piece of leasehold industrial land held under Lots.00271M & 00272W Mukim 1 and situated at 7 Kung Chong Road, Singapore 159144 with a land area of approximately 1,623.4 sq. m. together with HPC Building erected thereon
"Regal Haus"	Regal Haus Pte. Ltd., a company incorporated in Singapore with limited liability which is owned as to 51.00% by HPC Builders, 26.95% by Mr. Wang and 22.05% by Mr. Shi, respectively

"Sale Shares"	490,000 ordinary shares of S$1.00 each in the share capital of Regal Haus, comprising the Sale Shares I and the Sale Shares II and representing 49.00% of the entire equity interest in Regal Haus
"Sale Shares I"	269,500 ordinary shares of S$1.00 each in the share capital of Regal Haus held by Mr. Wang, representing 26.95% of the entire equity interest in Regal Haus
"Sale Shares II"	220,500 ordinary shares of S$1.00 each in the share capital of Regal Haus held by Mr. Shi, representing 22.05% of the entire equity interest in Regal Haus
"SFO"	Securities and Futures Ordinance, Chapter 571 Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the registered holder(s) of the Share(s)
"sq. m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"S$"	Singapore Dollar, the lawful currency of Singapore
"Tenancy Agreement"	the tenancy agreement dated 1 February 2023 entered into between Regal Haus and HPC Builders in relation to the Premise
"Total Consideration"	the total consideration for the Acquisition of S$3,206,250.00, comprising S$1,763,437.50 for the Sale Shares I and S$1,442,812.50 for the Sale Shares II
"Tower Point"	Tower Point Global Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 100% by Mr. Wang and is a controlling Shareholder
"%"	per cent

HPC Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1742)

Executive Directors:
Mr. Wang Yingde *(Chairman & Chief Executive Officer)*
Mr. Shi Jianhua *(Chief Operations Officer)*

Independent Non-executive Directors:
Mr. Zhu Dong
Mr. Leung Wai Yip
Mr. Gng Hoon Liang

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Singapore:
7 Kung Chong Road
HPC Building
Singapore 159144

Principal Place of Business in Hong Kong:
31/F., 148 Electric Road,
North Point, Hong Kong

8 April 2024

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE REMAINING 49% EQUITY INTEREST IN REGAL HAUS AND NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 5 February 2024 in relation to the Acquisition.

On 5 February 2024 (after trading hours), Mr. Wang, Mr. Shi and HPC Builders, an indirect wholly-owned subsidiary of the Company, entered into the Agreement, pursuant to which Mr. Wang (in respect of the Sale Shares I) and Mr. Shi (in respect of the Sale Shares II) have conditionally agreed to sell, and HPC Builders has conditionally agreed to purchase, the Sale Shares, representing 49.00% of the entire equity interest in Regal Haus, at the Total Consideration of S$3,206,250.00.

As at the Latest Practicable Date, Regal Haus was owned as to 51.00% by HPC Builders, 26.95% by Mr. Wang and 22.05% by Mr. Shi, respectively. Upon the Completion, Regal Haus will be owned as to 100% by HPC Builders, and accordingly, become an indirect wholly-owned subsidiary of the Company.

The purpose of this circular is to provide you with information with, among others, (i) details of the Agreement and the Acquisition; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the terms of the Agreement and the Acquisition; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Acquisition; (iv) the accountants' report of Regal Haus; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report of the Property; (vii) other information as required under the Listing Rules; and (viii) a notice of the AGM.

THE AGREEMENT

Date

5 February 2024

Parties

(1) Mr. Wang (as vendor of the Sale Shares I);

(2) Mr. Shi (as vendor of the Sale Shares II); and

(3) HPC Builders (as purchaser).

Assets to be Acquired

Pursuant to the Agreement:

(a) Mr. Wang has conditionally agreed to sell, and HPC Builders has conditionally agreed to purchase, the Sale Shares I, representing 26.95% of the entire equity interest in Regal Haus, at the consideration of S$1,763,437.50; and

(b) Mr. Shi has conditionally agreed to sell, and HPC Builders has conditionally agreed to purchase, the Sale Shares II, representing 22.05% of the entire equity interest in Regal Haus, at the consideration of S$1,442,812.50.

The Sale Shares, comprising the Sale Shares I and the Sale Shares II, represent 49.00% of the entire equity interest in Regal Haus.

Consideration

The Total Consideration of S$3,206,250.00, comprising S$1,763,437.50 for the Sale Shares I and S$1,442,812.50 for the Sale Shares II, shall be paid by HPC Builders to Mr. Wang and Mr. Shi respectively by cash in full on the Completion Date.

The Total Consideration was determined after arm's length negotiations among Mr. Wang, Mr. Shi and HPC Builders with reference to, among others, (i) the preliminary valuation of the Property of S$32,500,000.00 as at 31 December 2023, which was appraised by the Independent Valuer based on the direct comparison method and income capitalisation method; and (ii) the adjusted net liability value of Regal Haus of approximately S$25,957,000.00 as at 31 December 2023 based on its unaudited management accounts. The net liability value of Regal Haus as at 31 December 2023 were approximately S$890,000.00. The adjusted net liability value of Regal Haus of approximately S$25,957,000.00 was arrived at by disregarding the net book value of the Property of approximately S$25,067,000.00 (since the value of the Property had already been reflected in the Total Consideration). After the adjustment, the remaining net liability value of Regal Haus as at 31 December 2023 amounted to approximately S$25,957,000.00. As the market value of the Property as indicated in its preliminary valuation was higher than its net book value in the unaudited management accounts of Regal Haus, the basis of the Total Consideration took into account of the preliminary valuation of the Property and the adjusted net liability value of Regal Haus.

The Total Consideration was then concluded through multiplying the total sum of the preliminary valuation of the Property and the adjusted net liability value of Regal Haus by 49.00%.

Set out below is the reconciliation between the net liability value of Regal Haus as at 31 December 2023 of approximately S$890,000.00 and the Total Consideration of S$3,206,250.00:

	S$ *Approximate*
Net liability value of Regal Haus as at 31 December 2023	(889,697)
Less: Net book value of the Property as at 31 December 2023	(25,066,927)
Adjusted net liability of Regal Haus as at 31 December 2023	(25,956,624)
Preliminary valuation of the Property as at 31 December 2023	32,500,000
Total sum	**6,543,376**
49% of the total sum	3,206,254
Total Consideration (rounded)	**3,206,250**

The valuation of the Property as at 31 December 2023 as appraised by the Independent Valuer was S$32,500,000.00. A valuation report of the Property as prepared by the Independent Valuer is set out in Appendix V to this circular.

The Board has reviewed the valuation report of the Property and understands that it is prepared based on direct comparison method, whereby a comparison is made with sales of similar properties in the vicinity and adjustments are made for differences in location, land area, land shape, floor area, floor loading, ceiling height, age, condition, tenure, design and layout, dates of transaction and the prevailing market conditions etc. before arriving at the value of the Property, and income capitalisation method, whereby the estimated annual net rental income of the Property after deducting all necessary outgoings and expenses is capitalised at an appropriate rate of return to arrive at the value of the Property. The Board also understands that the Independent Valuer considers both direct comparison method and income capitalisation method are appropriate for valuation of the Property and uses each method as a check against the other, after taking into account:

(a) in respect of the direct comparison method, (i) there are readily identifiable market comparables; (ii) the availability of reliable, verifiable and relevant recent market information; and (iii) direct comparison method is considered as the generally accepted valuation approach and should be considered for valuing most forms of properties in Singapore in accordance with industry practice; and

(b) in respect of the income capitalisation method, the Property is an income generating property and the income capitalisation method is commonly considered as the most accepted valuation method for valuing property which is income generating.

The market values of the Property appraised by the Independent Valuer based on the direct comparison method and the income capitalisation method are S$33,484,218.67 and S$31,298,748.33 respectively. As the difference of the said appraised values is approximately 6.5%, which is considered not significant by the Independent Valuer, the valuation of the Property of S$32,500,000.00 as at 31 December 2023 was then arrived at by taking the average (i.e. 50%) of each of said appraised values.

The Board understands from the Independent Valuer that (i) both direct comparison method and income capitalisation method fairly reflect the valuation of the Property; (ii) the difference of approximately 6.5% between the said appraised values is considered not significant; and (iii) using average values conducted under two valuation methods is in accordance with industry practice.

The valuation of the Property is based on an "As-Is" basis, the leasehold estate for a lease term of 99 years from 1 January 1958 and expiring on 31 December 2056 (i.e. a balance lease term of 34 years as at 31 December 2023), with vacant possession and free from encumbrances and has been made on, among others, the following assumptions:

(a) The Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the market value of the Property and Regal Haus has absolute title to the Property;

(b) The Property complies with all relevant statutory requirements in respect of health, building and fire safety regulations applicable to the Property; and

(c) The Property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules and regulations applicable to the Property.

The Board understands from the Independent Valuer that these assumptions are commonly adopted when determining the fair value of similar types of properties and the Board considers it is appropriate to appraise the Property in the same way as other similar properties on an open market.

In consideration of the abovementioned, the Board considers that valuation methodology and the key assumptions adopted in the valuation of the Property are fair and reasonable.

The Total Consideration will be funded by the Group's internal resources.

Conditions Precedent

The Completion is conditional upon fulfilment of all the following conditions:

(a) Mr. Wang being the sole legal and beneficial owner of, and having the capacity to sell, the Sale Shares I free from all Encumbrances on the Completion;

(b) Mr. Shi being the sole legal and beneficial owner of, and having the capacity to sell, the Sale Shares II free from all Encumbrances on the Completion;

(c) Regal Haus having no liability or indebtedness (whether actual or contingent) as at the Completion Date other than those as disclosed in its unaudited management accounts as at 31 December 2023;

(d) the representations and warranties jointly and severally undertaken and given by each of Mr. Wang and Mr. Shi under the Agreement being true and accurate in all material aspects and not materially misleading as if Mr. Wang and Mr. Shi had given them on the Completion Date by reference to the facts and circumstances then existing as at the Completion Date;

(e) the passing of the ordinary resolution approving the Agreement and the Acquisition by the Independent Shareholders; and

(f) all other authorisations, approvals, consents, waivers and permits (if any) which are necessary or relevant to give effect to the Acquisition having been granted, received or obtained and not revoked or withdrawn on the Completion Date.

As at the Latest Practicable Date:

(i) save as disclosed above, the Company was not aware of any other authorisations, approvals, consents, waivers and permits necessary or relevant to give effect to the Acquisition; and

(ii) none of the conditions set out in paragraphs (a) to (f) had been fulfilled.

The Total Consideration will not be adjusted as at the Completion Date, including for the liabilities or indebtedness (whether actual or contingent) other than those disclosed in its unaudited management accounts as at 31 December 2023, mainly comprising (i) the Group's bank loan obtained for the acquisition and redevelopment of the Property; (ii) the shareholder loans provided by HPC Builders, Mr. Wang and Mr. Shi in proportion to their respective shareholdings in Regal Haus; (iii) trade payables which were all related to the redevelopment of the Property; and (iv) other payables mainly consisted of rental deposits received. Due to the Group's existing shareholding in Regal Haus, the Group is fully aware of the financial position of Regal Haus and has control over the business and operations of Regal Haus prior to the Completion. In consideration of the aforesaid liabilities of Regal Haus, and the entering of the new tenancy agreement on 3 November 2023 in relation to the leasing of Level 3 of HPC Building commencing on 1 February 2024 with the monthly rental income of S$18,000.00, which is not included in the accounts of Regal Haus as at 31 December 2023, the Directors are of the view that there will not be any increment in liability or indebtedness of Regal Haus over the period between 31 December 2023 and the Completion Date as (i) the bank loans will be reduced due to monthly repayment; (ii) the shareholder loans shall remain unchanged; (iii) the redevelopment of the Property was completed in November 2023 and hence, there will not be any increment in trade payables; and (iv) all rental deposits received for leasing of HPC Building are included in the accounts of Regal Haus as at 31 December 2023, whereas more rental income will be generated during the said period due to the said new tenancy agreement. Furthermore, the valuation of the Property, which is the main basis of the Total Consideration, under the income capitalisation method has already taken into account the identifiable future incomes and liabilities related to the Property as at 31 December 2023, and in consideration of the simple and foreseeable business model of Regal Haus as an investment holding company with the Property as its only significant asset, the Directors are of the view that there will be minimum non-property related costs (if any) over the period between 31 December 2023 and the Completion. Accordingly, the Directors consider that the Total Consideration fairly and reasonably reflects the value of the Sale Shares, where adjustment thereto with reference to the accounts of Regal Haus prepared as at the Completion Date is not necessary nor cost effective, and the lack of such adjustment mechanism is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Completion

The Completion shall take place on the Completion Date. Upon the Completion, Regal Haus will become an indirect wholly-owned subsidiary of the Company and the financial results of Regal Haus will continue to be consolidated in the consolidated financial statements of the Group.

INFORMATION OF REGAL HAUS

Regal Haus is a company incorporated in Singapore with limited liability and has a paid-up capital of S$1,000,000.00. The principal activity of Regal Haus is investment holding and its only significant asset is the Property.

Regal Haus was established by Mr. Wang and Mr. Shi in August 2017 with a paid-up capital of S$1,000,000.00. On 12 July 2018, HPC Builders acquired 28.05% and 22.95% equity interests in Regal Haus, representing an aggregate of 51.00% of the entire equity interest in Regal Haus, from Mr. Wang and Mr. Shi respectively at the respective considerations of S$280,500.00 and S$229,500.00, being a total sum of S$510,000.00 which was determined after arm's length negotiations between the parties with reference to the paid-up capital of Regal Haus of S$1,000,000.00 as at the time of entering into the Previous Agreement. The Previous Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and the Company had complied with all the applicable Listing Rules requirements in respect thereof. For further details, please refer to the announcement of the Company dated 13 July 2018 in relation to, among others, the Previous Acquisition.

Since the completion of the Previous Acquisition, Regal Haus has been owned as to 51.00% by HPC Builders, 26.95% by Mr. Wang and 22.05% by Mr. Shi, respectively, and the financial results of Regal Haus has been consolidated in the consolidated financial statements of the Group as a subsidiary.

Property

The Property is the piece of leasehold industrial land held under Lots.00271M & 00272W Mukim 1 and situated at 7 Kung Chong Road, Singapore 159144 with a land area of approximately 1,623.4 sq. m. together with HPC Building, the seven-storey industrial building with one level of basement carpark and ancillary office with a total gross floor area of approximately 4,050.8 sq. m., erected thereon. The Property is held under the leasehold estate for a term of 99 years commencing from 1 January 1958 and expiring on 31 December 2056.

The Property is now subject to mortgage to secure the external bank borrowings obtained by Regal Haus for the acquisition and redevelopment of the Property. The Acquisition shall not affect the repayment of said external bank borrowings in accordance with the terms and conditions thereof, details of which are disclosed in the 2019 Circular.

The Tenancy Agreements

On 1 February 2023, Regal Haus and HPC Builders entered into the Tenancy Agreement, pursuant to which Regal Haus shall lease to HPC Builders the Premise to be used as the Group's office for a term of 14 months commencing from 1 February 2023 to 30 April 2024 with the monthly rental of S$110,000.00, which was determined after arm's length negotiations between the parties with reference to the rental of the Premise appraised by an independent property valuer and the then prevailing market rental prices of comparable properties in the vicinity. The transaction contemplated under the Tenancy Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and the Company had complied with all the applicable Listing Rules requirements in respect thereof. For further details, please refer to the 2023 Announcement.

Regal Haus leased all portions of HPC Building unoccupied by HPC Builders under the following two tenancy agreements, yielding a total monthly rental income of S$75,000.00:

Location	**Term**	**Gross rent per month**
Level 1 and 2	1 June 2023 to 31 May 2026	S$57,000.00
Level 3	1 February 2024 to 31 January 2027	S$18,000.00

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenants thereunder and their respective ultimate beneficial owners are Independent Third Parties.

The aforesaid existing tenancy agreements will not be terminated and will continue pursuant to the terms thereof after the Completion.

Financial Information of Regal Haus

Set out below is a summary of the financial information in the audited accounts of Regal Haus for the two financial years ended 31 October 2022 and 2023 and for the two months ended 31 December 2023 respectively:

	For the financial year ended 31 October		**For the two months ended 31 December**
	2022	**2023**	**2023**
	S$'000 *Approximate* (audited)	*S$'000* *Approximate* (audited)	*S$'000* *Approximate* (audited)
Revenue	–	1,013	334
(Loss)/profit before tax	(626)	(604)	12
(Loss)/profit after tax	(626)	(604)	0

The audited net liability value of Regal Haus was approximately S$890,000.00 as at 31 December 2023.

Regal Haus was established by Mr. Wang and Mr. Shi in August 2017 with a paid-up capital of S$1,000,000.00. As disclosed above, Mr. Wang and Mr. Shi subsequently sold 51.00% of the entire equity interest in Regal Haus to HPC Builders at the respective considerations of S$280,500.00 and S$229,500.00.

Since the completion of the Previous Acquisition, certain shareholder loans have been provided by HPC Builders, Mr. Wang and Mr. Shi to Regal Haus in proportion to their respective shareholdings for the acquisition and redevelopment of the Property. No further shareholder loans have been provided by HPC Builders, Mr. Wang and Mr. Shi since or about June 2021. As at the Latest Practicable Date, the shareholder loans due and owing by Regal Haus to HPC Builders, Mr. Wang and Mr. Shi were S$2,626,000, S$1,388,000 and S$1,136,000 respectively, which were interest-free and expected to be repaid in 2027.

As at the Latest Practicable Date, save for the aforesaid shareholder loans, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there was, and in the past twelve months, there had been, no material loan arrangement between (i) the counterparties of the Acquisition (i.e. Mr. Wang and Mr. Shi); and (ii) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the Acquisition.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon the Completion, Regal Haus will be owned as to 100% by HPC Builders, and accordingly, become an indirect wholly-owned subsidiary of the Company. The financial results of Regal Haus will continue to be consolidated in the financial statements of the Group.

As the financial results of Regal Haus, being an indirect non-wholly owned subsidiary of the Company since the Previous Acquisition, had been consolidated into the financial statements of the Group prior to the Completion, the Acquisition will not have any effect on the Group's statement of profit of loss.

Earnings

Based on the accountant's report of Regal Haus set out in Appendix II to this circular, Regal Haus recorded a net loss of approximately S$604,000.00 for the financial year ended 31 October 2023. As HPC Building was completed in 2023 and fully leased in early 2024, it is expected that the Acquisition will bring positive contribution to the Group's earnings.

Assets and Liabilities

Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group set out in Appendix IV to this circular, which is prepared as if the Acquisition had completed on 31 October 2023 to illustrate the effect of the Acquisition, it is expected that the total assets of the Enlarged Group would decrease from approximately S$180,019,000 to approximately S$176,053,000. As a result, the net assets attributable to owners of the Company would decrease from approximately S$87,514,000 to approximately S$84,222,000.

It is noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group would be after Completion.

INFORMATION OF THE PARTIES AND THE GROUP

Mr. Wang

Mr. Wang is the chairman of the Board, the chief executive officer of the Company, an executive Director and a controlling Shareholder with 41.25% equity interest in the Company.

As at the Latest Practicable Date, Regal Haus was owned as to 26.95% by Mr. Wang.

Mr. Shi

Mr. Shi is the chief operations officer of the Company, an executive Director and a controlling Shareholder with 33.75% equity interest in the Company.

As at the Latest Practicable Date, Regal Haus was owned as to 22.05% by Mr. Shi.

HPC Builders

HPC Builders is a company incorporated in Singapore with limited liability which is an indirect wholly-owned subsidiary of the Company. HPC Builders engages in providing construction contractor services in both general building works and civil engineering works in Singapore.

The Group

The Company is a company incorporated in the Cayman Islands with limited liability and an investment holding company holding the interest of other subsidiaries of the Group, which are principally engaged in the provision of general building works and civil engineering works in the construction industry in Singapore, and many of the Group's past projects were industrial developments.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As disclosed in the 2019 Circular and the 2023 Announcement, it has been the Group's plan since 2018 for the acquisition and redevelopment of the Property, as well as the subsequent management thereof, including using the Premise as the Group's office and leasing the portions of HPC Building unoccupied by the Group to other tenants. The Acquisition is considered as a further step taken to implement the Group's plan. Upon the

Completion, Regal Haus will become 100% owned by HPC Builders. This will enable the Group to obtain full control of HPC Building and greater flexibility in the strategic directions and day-to-day management of HPC Building, and hence, to achieve operational and management efficiency of the Group.

The completion of HPC Building in 2023 and the consolidation of the office spaces used by the Group therein not only enhance the administrative efficiency of the Group, but also bring positive elements to the Group's brand image in the local area. In view of the gradual recovery of the construction activities after Coronavirus Disease 2019 with stabilised construction demand in the medium term, the Group may expand its workforce to undertake more projects and to secure more opportunities throughout the development process. With the flexibility in management of HPC Building, the Group may from time to time review the business situation and consider whether to utilise the whole HPC Building for its business operations and future expansion, which will be beneficial to the Group's development.

Even if the Group will not occupy the whole HPC Building for self-use in the future, taking into account the exiting tenancy agreements entered into between Regal Haus and the other tenants and HPC Building is a newly furnished building with its location and fittings, the Group believes that the rental market in the vicinity and the demand for the portions of HPC Building unoccupied by the Group will remain stable, which will enable the Group to generate stable rental income and broaden its revenue base. As at the Latest Practicable Date, all portions of HPC Building unoccupied by the Group were fully let, yielding a total monthly rental income of S$75,000.00 with the latest tenancy agreement commencing on 1 February 2024, shortly before the entering into of the Agreement. Upon the Completion, as the shareholding of HPC Builders in Regal Haus will increase from 51% to 100%, the Group's profit and total comprehensive income attributable to the owners of the Company is expected to increase accordingly with the elimination of the expenses attributable to the non-controlling interest of Mr. Wang and Mr. Shi in Regal Haus. The Group may also benefit from any long term capital appreciation of the Property.

Furthermore, the scale of the Group's connected transactions will be reduced upon the Completion. Due to the current shareholdings of Regal Haus, Regal Haus is a connected subsidiary and therefore, a connected person of the Company under the Listing Rules. Accordingly, leasing of the Premise by Regal Haus to HPC Builders constitutes a connected transaction of the Company and may be subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules. After the Completion, leasing of the Premise and/or any portions of the Property by Regal Haus to any member of the Group (as the case may be) will no longer constitute a connected transaction or continuing connected transactions of the Company under Chapter 14A of the Listing Rules, which will help the Group to reduce administrative costs incurred incidental to compliance with the applicable Listing Rules requirements in respect thereof.

Taking into account (i) the Acquisition will help to enhance the Group's operational and management efficiency and caters for the business operations and future development needs of the Group; (ii) the Acquisition will help to reduce administrative costs incurred relating to Listing Rules compliance matters; (iii) leasing of the portions of HPC Building unoccupied by the Group to other tenant(s) can generate a stable source of income to the Group; (iv) the prevailing industrial property market condition; and (v) the Property may be part of the securities in obtaining further banking facilities for the use of the Group's business and operations should the circumstances so arise, the Directors (including the members of the Independent Board Committee after taking into account the advice from the Independent Financial Adviser but excluding Mr. Wang and Mr. Shi who have abstained from voting due to their material interests in the Acquisition) believe that the Acquisition can bring long term benefits to the Group and are of the view that the Acquisition (including the terms of the Agreement) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 25% but are all less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Wang and Mr. Shi are both the executive Directors and controlling Shareholders with 41.25% and 33.75% equity interests in the Company respectively. As such, Mr. Wang and Mr. Shi are connected persons of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Both Mr. Wang and Mr. Shi have a material interest in the Acquisition and have abstained from voting on the Board resolution approving the Agreement and the Acquisition. Save as disclosed above, none of the Directors is regarded as having any material interest in the Acquisition and is required to abstain from voting on the Board resolution approving the Agreement and the Acquisition.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all three independent non-executive Directors who do not have a material interest in the Acquisition, to consider and to advise the Independent Shareholders whether the terms of the Agreement and the Acquisition are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the Agreement and the Acquisition at the AGM, after taking into account the advice of the Independent Financial Adviser.

Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held for the purpose of considering and, if thought fit, approving, among others, (i) the granting to the Directors of the general mandates to allot, issue and deal with new Shares (and the extension thereof) and repurchase Shares; (ii) the re-election of the retiring Director; (iii) the election of the independent non-executive Director; and (iv) the Agreement and the Acquisition. The Notice is set out on pages AGM-1 to AGM-6 of this circular. For details regarding ordinary resolutions numbered 1 to 5 in the Notice (if applicable) in relation to the above items (i) to (iii), please refer to the Mandate Circular.

Any Shareholder who has a material interest in the Acquisition and his/her/its associates are required to abstain from voting on the resolution approving the Agreement and the Acquisition at the AGM under the Listing Rules. As at the latest Practicable Date, (i) Mr. Wang was the sole shareholder and sole director of Tower Point, which directly held 660,000,000 Shares (i.e. 41.25% of the issued Shares), and hence, was deemed to be interested in the Shares directly held by Tower Point under the SFO; and (ii) Mr. Shi was the sole shareholder and sole director of Creative Value, which directly held 540,000,000 Shares (i.e. 33.75% of the issued Shares), and hence, was deemed to be interested in the Shares directly held by Creative Value under the SFO. Accordingly, Mr. Wang, Mr. Shi, Tower Point and Creative Value will abstain from voting on the resolution approving the Agreement and the Acquisition at the AGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Wang, Mr. Shi and their respective associates (being Tower Point and Creative Value respectively), none of the Shareholders has any material interest in the Acquisition and is required to abstain from voting on the resolution approving the Agreement and the Acquisition at the AGM.

To the extent the Directors were aware having made all reasonable enquiries, as at the Latest Practicable Date:

(a) there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any of Mr. Wang, Mr. Shi, Tower Point and Creative Value, or obligation or entitlement of any of Mr. Wang, Mr. Shi, Tower Point and Creative Value, whereby he/it had or might have temporarily or permanently passed control over the exercise of the voting right in respect of his/its Shares to a third party, either generally or on a case-by-case basis; and

(b) it was not expected that there would be any discrepancy between the beneficial shareholding interest in the Company of any of Mr. Wang, Mr. Shi, Tower Point and Creative Value as disclosed in this circular and the number of Shares in respect of which he/it would control or would be entitled to exercise control over the voting right at the AGM.

A form of proxy for use at the AGM is enclosed herewith. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hpc.sg). Whether or not you intend to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the AGM (i.e. by 09:30 a.m. on Sunday, 28 April 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66(1) of the Articles of Association of the Company, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, each of the resolutions set out in the Notice will be taken by way of poll. An announcement on the poll vote results will be made by the Company in the manner prescribed under Rule 13.39(5) of the Listing Rules and will be published on the website of the Stock Exchange and the website of the Company.

On a poll, every Shareholder presents in person or by proxy or in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote on a poll needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

The transfer books and register of members of the Company will be closed from Thursday, 25 April 2024 to Tuesday, 30 April 2024, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 24 April 2024.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 21 of this circular, containing its advice to the Independent Shareholders in respect of the terms of the Agreement and the Acquisition; and (ii) the letter from the Independent Financial Adviser set out on pages 22 to 45 of this circular, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Acquisition.

The Directors (including the members of the Independent Board Committee after taking into account the advice from the Independent Financial Adviser but excluding Mr. Wang and Mr. Shi who have abstained from voting due to their material interests in the Acquisition) consider that although the Acquisition is not in the ordinary and usual course of the business of the Group, the terms of the Agreement are fair and reasonable, the Acquisition is on normal commercial terms following arm's length negotiations between the parties to the Agreement and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee after taking into account the advice from the Independent Financial Adviser but excluding Mr. Wang and Mr. Shi who have abstained from voting due to their material interests in the Acquisition) recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the AGM to approve the Agreement and the Acquisition.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

As the Completion is subject to fulfilment of the conditions precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

HPC Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1742)

8 April 2024

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF THE REMAINING 49% EQUITY INTEREST
IN REGAL HAUS
AND
NOTICE OF ANNUAL GENERAL MEETING**

We refer to the circular of the Company dated 8 April 2024 (the "**Circular**") of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to consider and to advise the Independent Shareholders whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the Agreement and the Acquisition at the AGM.

We wish to draw your attention to the letter from the Board set out on pages 6 to 20 of the Circular, the letter from the Independent Financial Adviser set out on pages 22 to 45 of the Circular, which contains its advice to you and us in respect of the terms of the Agreement and the Acquisition, as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

Having taken into account the terms of the Agreement and the Acquisition, and the principal factors and reasons considered by, and the advice from, the Independent Financial Adviser, we are of the opinion that although the Acquisition is not in the ordinary and usual course of the business of the Group, the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned, the Acquisition is on normal commercial terms following arm's length negotiations between the parties to the Agreement and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the AGM to approve the Agreement and the Acquisition.

Yours faithfully,
For and on behalf of
Independent Board Committee
HPC Holdings Limited

Mr. Zhu Dong	**Mr. Leung Wai Yip**	**Mr. Gng Hoon Liang**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of a letter of advice from Vinco Financial to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Agreement and the Acquisition, which has been prepared for the purpose of incorporation in this circular:

VINCO 榮高

Vinco Financial Limited

8 April 2024

To the Independent Board Committee and the Independent Shareholders of
HPC Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE REMAINING 49% EQUITY INTEREST IN REGAL HAUS

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Acquisition, details of which are set out in the "Letter from the Board" of the circular (the "**Circular**") issued by the Company to the Shareholders dated 8 April 2024 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 5 February 2024 in relation to the Acquisition. On 5 February 2024 (after trading hours), Mr. Wang, Mr. Shi and HPC Builders, an indirect wholly-owned subsidiary of the Company, entered into the Agreement, pursuant to which Mr. Wang (in respect of the Sale Shares I) and Mr. Shi (in respect of the Sale Shares II) have conditionally agreed to sell, and HPC Builders has conditionally agreed to purchase, the Sale Shares, representing 49.00% of the entire equity interest in Regal Haus, at the Total Consideration of S$3,206,250.00. As at the Latest Practicable Date, Regal Haus was owned as to 51.00% by HPC Builders, 26.95% by Mr. Wang and 22.05% by Mr. Shi, respectively. Upon the Completion, Regal Haus will be owned as to 100% by HPC Builders, and accordingly, become an indirect wholly-owned subsidiary of the Company.

Listing Rules Implications

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 25% but are all less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Wang and Mr. Shi are both the executive Directors and controlling Shareholders with 41.25% and 33.75% equity interests in the Company respectively. As such, Mr. Wang and Mr. Shi are connected persons of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The aforesaid persons are regarded as having material interest in the Acquisition and will be required to abstain from voting on the relevant ordinary resolution at the AGM.

Independent Board Committee

The Independent Board Committee comprising Mr. Zhu Dong, Mr. Leung Wai Yip, and Mr. Gng Hoon Liang, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Agreement and the Acquisition. We have been appointed and approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Acquisition. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the Acquisition is in the ordinary and usual course of business of the Group on normal commercial terms, and in the interests of the Company and Independent Shareholders as a whole and whether the terms of the Agreement and the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned.

Our Independence

As at the Latest Practicable Date, we were not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independence Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Acquisition. We are eligible to give independent advice and recommendations on the terms of the Agreement and the Acquisition. Apart from the normal professional fees payable to us in connection with the present appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the terms of the Agreement and the Acquisition.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors and management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts, the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors and management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and management of the Company and its subsidiaries.

We also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents particularly, (i) the annual report of the Company for the year ended 31 October 2023 (the “**Annual Report 2023**”); (ii) the annual report of the Company for the year ended 31 October 2022 (the “**Annual Report 2022**”); (iii) the Agreement; (iv) the announcement of the Company dated 5 February 2024; (v) the 2019 Circular; (vi) the 2023 Announcement; and (vii) the valuation report of the Property as prepared by the

Independent Valuer (the "**Valuation Report**"). Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the terms of the Agreement and the Acquisition, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Agreement and the Acquisition and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Acquisition, we have considered the following principal factors and reasons:

1. Background information of the Group

The Company is a company incorporated in the Cayman Islands with limited liability and an investment holding company holding the interest of other subsidiaries of the Group, which are principally engaged in the provision of general building works and civil engineering works in the construction industry in Singapore, and many of the Group's past projects were industrial developments. Set out below in the Table A is a summary of the consolidated financial information of the Group for the years ended 31 October 2023 ("**FY2023**"), 31 October 2022 ("**FY2022**") and 31 October 2021 ("**FY2021**") as extracted from the Annual Report 2023 and the Annual Report 2022:

"Table A: Extracted financial information of the Group"

	FY2023	FY2022	FY2021
	S$'000	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)
Revenue	289,235	202,915	188,510
– General building construction	283,616	198,306	180,843
– Civil engineering	5,619	4,609	7,667
Gross profit	12,988	12,093	(1,051)
Profit/(loss) for the year	3,102	(424)	(4,963)

	As at 31 October		
	2023	2022	2021
	S$'000	*S$'000*	*S$'000*
	(audited)	(audited)	(audited)
Total assets	180,019	177,354	148,960
Total liabilities	92,505	92,942	64,124
Net assets	87,514	84,412	84,836
Cash and cash equivalents	45,278	23,949	30,799

FY2023 vs FY2022

With reference to the Annual Report 2023, the revenue of the Group increased by approximately 42.5% from approximately S$202.9 million in FY2022 to approximately S$289.2 million in FY2023. Such increase was mainly due to full capacity of construction activities was resumed compared with FY2022, particularly due to on time completion of one semiconductor plant project with tight project period. Despite the 42.5% of revenue increased, the gross profit of the Group increased by approximately 7.4% from approximately S$12.1 million in FY2022 to approximately S$13.0 million in FY2023 as the cost of sales increased by approximately 44.8% from approximately S$190.8 million in FY2022 to approximately S$276.2 million in FY2023, which was mainly due to consistently high inflation rate and increment of Goods and Services Tax of Singapore in 2023.

The Group recorded a net profit of approximately S$3.1 million in FY2023 as compared to a net loss of approximately S$0.4 million in FY2022. Such change was mainly due to the increase in gross profit as mentioned above and the decrease in impairment losses on financial assets of approximately S$7.7 million in FY2023.

The Group's total assets and total liabilities as at 31 October 2023 amounted to approximately S$180.0 million and S$92.5 million respectively. The Group's net assets amounted to approximately S$87.5 million as at 31 October 2023, representing an increase of approximately 3.7% as compared to that of approximately S$84.4 million as at 31 October 2022, mainly due to the net profit in FY2023. The gearing ratios as at 31 October 2023, which was defined as total borrowings divided by total equity, decreased to 21.1% from 23.2% as at 31 October 2022. The Group's cash and cash equivalents amounted to approximately S$45.3 million as at 31 October 2023 while it amounted to S$23.9 million as at 31 October 2022.

FY2022 vs FY2021

With reference to the Annual Report 2022, the revenue of the Group increased by approximately 7.6% from approximately S$188.5 million in FY2021 to approximately S$202.9 million in FY2022. Such increase was mainly due to full capacity of construction activities resumed as compared to FY2021. The gross profit of the Group increased from a loss of approximately S$1.05 million in FY2021 to a profit of approximately S$12.1 million in FY2022. Such increase 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.

The Group recorded a net loss of approximately S$0.4 million in FY2022 as compared to a net loss of approximately S$5.0 million in FY2021. Such change was mainly due to the increase in gross profit as mentioned above, but offset by the increase in impairment losses on financial assets of approximately S$8.5 million in FY2022.

The Group's total assets and total liabilities as at 31 October 2022 amounted to approximately S$177.4 million and S$92.9 million respectively. The Group's net assets amounted to approximately S$84.4 million as at 31 October 2022, representing a minor decrease of approximately 0.5% as compared to that of approximately S$84.8 million as at 31 October 2021, mainly due to the net loss in FY2022. The gearing ratios as at 31 October 2022, which was defined as total borrowings divided by total equity, increased to 22.2% from 14.2% as at 31 October 2021. Such increase was mainly due to the drawing of new loan for land purchase and redevelopment of an industrial building on the land purchased on 7 Kung Chong Road. The Group's cash and cash equivalents amounted to approximately S$23.9 million as at 31 October 2022 while it amounted to approximately S$30.8 million as at 31 October 2021.

2. Background information of Regal Haus and the Property

Regal Haus is an investment holding company incorporated in Singapore with limited liability. Its major asset is the Property, which comprises a seven-storey light industrial building located at 7 Kung Chong Road, Singapore 159144.

Below is the key financial information of Regal Haus extracted from Appendix III to the Circular:

"Table B: Extracted financial information of Regal Haus"

	For the two months ended 31 December	**For the financial year ended 31 October**	
	2023	**2023**	**2022**
	S$	*S$*	*S$*
	(audited)	(audited)	(audited)
Rental income	334,000	1,012,887	–
Loss for the period/year	(159)	(603,807)	(625,455)

The revenue recorded by the Regal Haus was approximately S$1.0 million for the year ended 31 October 2023 and S$334,000 for the two months ended 31 December 2023 respectively, which was the rental income generated from the tenancies of the Property. The Property was granted the temporary occupation permit on 15 January 2023 with full completion on 8 November 2023, when the substantial completion certificate was granted, and started to generate rental income on 1 March 2023.

The audited net liability value of Regal Haus was approximately S$890,000 as at 31 December 2023.

The Property is the piece of leasehold industrial land held under Lots.00271M & 00272W Mukim 1 and situated at 7 Kung Chong Road, Singapore 159144 with a land area of approximately 1,623.4 sq. m. together with HPC Building, the seven-storey industrial building with one level of basement carpark and ancillary office with a total gross floor area of approximately 4,050.8 sq. m., erected thereon. The Property is held under the leasehold estate for a term of 99 years commencing from 1 January 1958 and expiring on 31 December 2056.

The Property is now subject to mortgage to secure the external bank borrowings obtained by Regal Haus for the acquisition and redevelopment of the Property. The Acquisition shall not affect the repayment of said external bank borrowings in accordance with the terms and conditions thereof, details of which are disclosed in the 2019 Circular.

On 1 February 2023, Regal Haus and HPC Builders entered into the Tenancy Agreement, pursuant to which Regal Haus shall lease to HPC Builders the Premise to be used as the Group's office for a term of 14 months commencing from 1 February 2023 to 30 April 2024 with the monthly rental of S$110,000, which was determined after arm's length negotiations between the parties with reference to the rental of the Premise appraised by an independent property valuer and the then prevailing market rental prices of comparable properties in the vicinity. The transaction contemplated under the Tenancy Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and the Company had complied with all the applicable Listing Rules requirements in respect thereof. For further details, please refer to the 2023 Announcement.

Regal Haus leased all portions of HPC Building unoccupied by HPC Builders under the following two tenancy agreements, yielding a total monthly rental income of S$75,000:

Location	Term	Gross rent per month
Level 1 and 2	1 June 2023 to 31 May 2026	S$57,000.00
Level 3	1 February 2024 to 31 January 2027	S$18,000.00

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenants thereunder and their respective ultimate beneficial owners are Independent Third Parties.

The aforesaid existing tenancy agreements will not be terminated and will continue pursuant to the terms thereof after the Completion.

3. Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, the management of the Company had taken into consideration:

(i) as disclosed in the 2019 Circular and the 2023 Announcement, it has been the Group's plan since 2018 for the acquisition and redevelopment of the Property, as well as the subsequent management thereof, including using the

Premise as the Group's office and leasing the portions of HPC Building unoccupied by the Group to other tenants. The Acquisition is considered as a further step taken to implement the Group's plan. Upon the Completion, Regal Haus will become 100% owned by HPC Builders. This will enable the Group to obtain full control of HPC Building and greater flexibility in the strategic directions and day-to-day management of HPC Building, and hence, to achieve operational and management efficiency of the Group;

(ii) the completion of HPC Building in 2023 and the consolidation of the office spaces used by the Group therein not only enhance the administrative efficiency of the Group, but also bring positive elements to the Group's brand image in the local area. In view of the gradual recovery of the construction activities after Coronavirus Disease 2019 with stabilised construction demand in the medium term, the Group may expand its workforce to undertake more projects and to secure more opportunities throughout the development process. With the flexibility in management of HPC Building, the Group may from time to time review the business situation and consider whether to utilise the whole HPC Building for its business operations and future expansion, which will be beneficial to the Group's development;

(iii) even if the Group will not occupy the whole HPC Building for self-use in the future, taking into account the existing tenancy agreements entered into between Regal Haus and the other tenants and HPC Building is a newly furnished building with its location and fittings, the Group believes that the rental market in the vicinity and the demand for the portions of HPC Building unoccupied by the Group will remain stable, which will enable the Group to generate stable rental income and broaden its revenue base. As at the Latest Practicable Date, all portions of HPC Building unoccupied by the Group were fully let, yielding a total monthly rental income of S$75,000.00 with the latest tenancy agreement commencing on 1 February 2024, shortly before the entering into of the Agreement. Upon the Completion, as the shareholding of HPC Builders in Regal Haus will increase from 51% to 100%, the Group's profit and total comprehensive income attributable to the owners of the Company is expected to increase accordingly with the elimination of the expenses attributable to the non-controlling interest of Mr. Wang and Mr. Shi in Regal Haus. The Group may also benefit from any long term capital appreciation of the Property; and

(iv) the scale of the Group's connected transactions will be reduced upon the Completion. Due to the current shareholdings of Regal Haus, Regal Haus is a connected subsidiary and therefore, a connected person of the Company under the Listing Rules. Accordingly, leasing of the Premise by Regal Haus to HPC Builders constitutes a connected transaction of the Company and may be subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules. After the Completion, leasing of the Premise and/or any portions of the Property by Regal Haus to any member of the Group (as the case may be) will no longer constitute a connected transaction or continuing connected transactions of the Company under Chapter 14A of the Listing Rules, which will help the Group to reduce administrative costs incurred incidental to compliance with the applicable Listing Rules requirements in respect thereof.

Overview of industrial property market in Singapore

According the Ministry of Trade and Industry of the Singapore Government, the Singapore economy grew by approximately 2.8% on a year-on-year basis in the fourth quarter of 2023. In 2023, the economy grew by approximately 1.2%, moderating from the 3.6% growth in 2022. We understand that the Singapore economy is one of the factors to affect the property market in Singapore and from indication of the statistics, the Singapore economic growth was sustained at a moderate pace and without any recession pressure which supported the real estate sector including the commercial and industrial property segments.

JTC is the government agency in charge of Singapore's industrial progress. Below are the charts, visualising the data from the fourth quarterly report of 2023 for industrial properties by JTC (the "**4Q2023 JTC Report**").

Chart A: Quarterly Price Index of Industrial Space:

Quarterly Price Index of Industrial Space

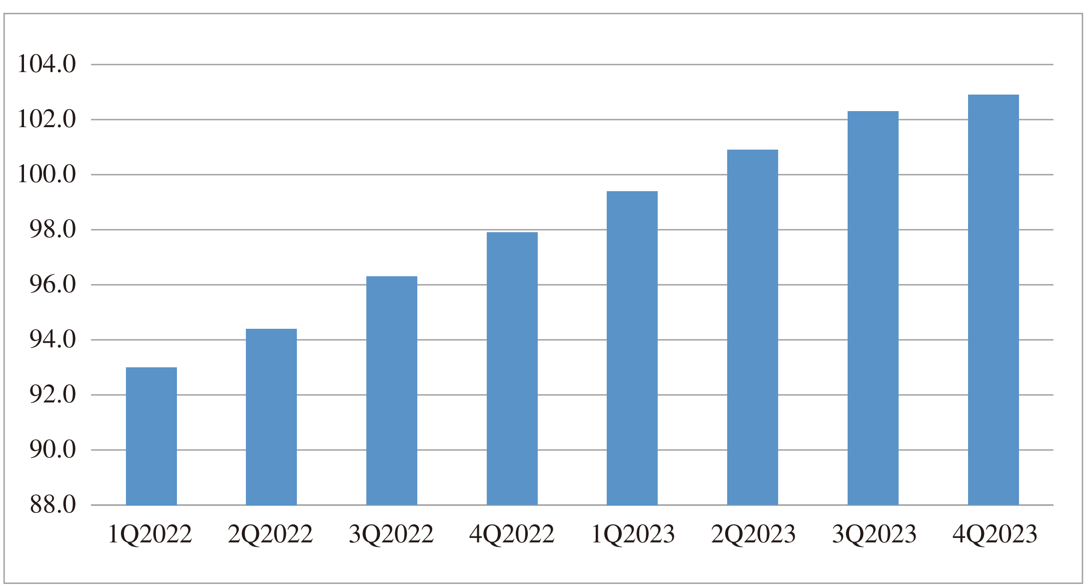


Chart B: Quarterly Rental Index of Industrial Space:

Quarterly Rental Index of Industrial Space

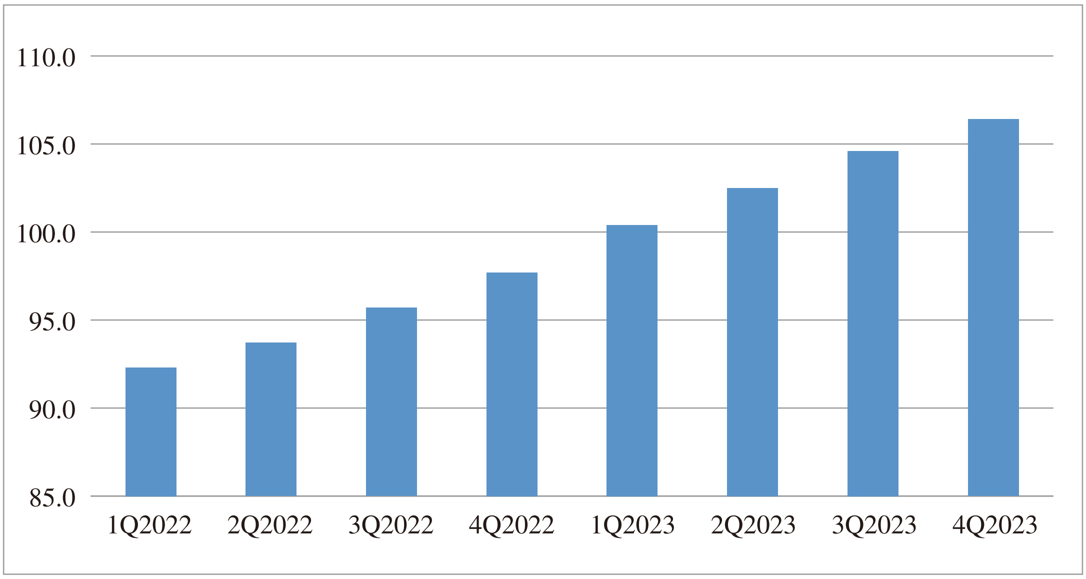
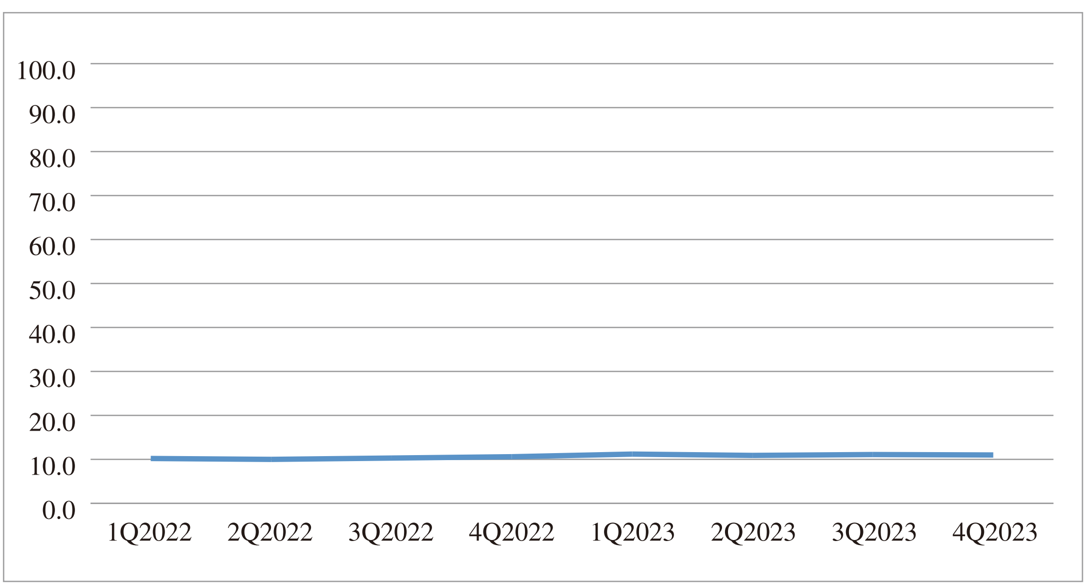


Chart C: Stock and Vacancy Rate of Industrial Space (%):

Stock and Vacancy Rate of Industrial Space (%)



Source: 4Q2023 JTC Report

According to 4Q2023 JTC Report, in the fourth quarter of 2023, (i) overall price index of overall industrial space has been increasing from 93.0 in the first quarter of 2022 ("**1Q2022**") to 102.9 in the fourth quarter of 2023 ("**4Q2023**"); (ii) overall rental index of overall industry space has been increasing from 92.3 in 1Q2022 to 106.4 in 4Q2023; and (iii) vacancy rate of overall industrial space remains at relatively stable in 2022 and 2023. Based on the above statistics, the industrial property is on upward trend. According to an article published by The Business Times on 27 February 2024 (https://www.businesstimes.com.sg/property/bt-property-week-2024/singapore-industrial-strong-growth-prospects-no-easy-ride), expectations in 2024 are for Singapore's economy to improve, interest rates to moderate (though still remaining high compared to pre-pandemic levels) and a recovery in manufacturing growth to set in. In addition, the Survey of Business Expectations of the Manufacturing Sector (the "**Survey**") for the first quarter of 2024 was conducted between December 2023 and January 2024 by the Economic Development Board of Singapore. Out of a total of 418 manufacturing establishments surveyed, 89% responded. These establishments were asked to indicate their expectation of general business conditions and other indicators such as output and employment. According to the Survey, the manufacturing sector expects business sentiments to be cautiously positive in the first half of 2024. The positive sentiments were backed by expected gradual recovery in demand as inventory levels in the end markets and sustained demand for aircraft maintenance, repair and overhaul activities on the back of strong global and regional air travel demand normalise alongside robust demand for AI-related chips. They expected the demand for industrial space will rise.

We noted that the interest rates in Singapore floated at 3%-4% in 2023 and 2024, and the Federal Reserves of the United States (the "**FED**") kept the benchmark interest rate at 5.5% since July 2023. According to the FED, the economic outlook is uncertain, and ongoing progress toward the 2% inflation objective is not assured. Therefore, the FED will continue to assess the incoming data, the evolving outlook, and the balance of risks to make any adjustments to the FED funds rate. We believe the change of FED rate would affect the interest rates in Singapore. On 22 March 2024, the FED announced its interest rate decision after a two-day Federal Open Market Committee (FOMC) meeting, leaving the benchmark interest rates unchanged at 5.25% to 5.50% for the fifth straight meeting. However, the FOMC said that it expected three rate cuts in 2024 despite inflation. Based on the information from the FED, the effect of interest rates to the industrial property in Singapore could lead to moderate rental growth in the second half of 2024 as economy strengthens and companies regain confidence to embark on expansionary plans.

Taking into account (i) the Acquisition will help to enhance the Group's operational and management efficiency and caters for the business operations and future development needs of the Group; (ii) the Acquisition will help to reduce administrative costs incurred relating to Listing Rules compliance matters; (iii) leasing of the portions of HPC Building unoccupied by the Group to other tenant(s) can generate a stable source of income to the Group; (iv) the prevailing industrial property market condition; and (v) the Property may be part of the securities in obtaining further banking facilities for the use of the Group's business and operations should the circumstances so arise, we concur with the Directors' view that the Acquisition would be advantageous to the Group and is in the interests of the Company and the Shareholders as a whole, and on normal commercial terms, although it is not conducted in the ordinary and usual course of business of the Group.

4. Principal terms of the Agreement

Set out below is a summary of the principal terms of the Agreement. Independent Shareholders are advised to read further details of the Agreement set out in the Letter from the Board:

Date	5 February 2024
Parties	(1) Mr. Wang (as vendor of the Sale Shares I); (2) Mr. Shi (as vendor of the Sale Shares II); and (3) HPC Builders (as purchaser).
Assets to be acquired	Pursuant to the Agreement: (a) Mr. Wang has conditionally agreed to sell, and HPC Builders has conditionally agreed to purchase, the Sale Shares I, representing 26.95% of the entire equity interest in Regal Haus, at the consideration of S$1,763,437.50; and (b) Mr. Shi has conditionally agreed to sell, and HPC Builders has conditionally agreed to purchase, the Sale Shares II, representing 22.05% of the entire equity interest in Regal Haus, at the consideration of S$1,442,812.50.

The Sale Shares, comprising the Sale Shares I and the Sale Shares II, represent 49.00% of the entire equity interest in Regal Haus.

Consideration

The Total Consideration of S$3,206,250.00, comprising S$1,763,437.50 for the Sale Shares I and S$1,442,812.50 for the Sale Shares II, shall be paid by HPC Builders to Mr. Wang and Mr. Shi respectively by cash in full on the Completion Date.

The Total Consideration was determined after arm's length negotiations among Mr. Wang, Mr. Shi and HPC Builders with reference to, among others, (i) the preliminary valuation of the Property of S$32,500,000.00 as at 31 December 2023, which was appraised by the Independent Valuer based on the direct comparison method and income capitalisation method; and (ii) the adjusted net liability value of Regal Haus of approximately S$25,957,000.00 as at 31 December 2023 based on its unaudited management accounts. The net liability value of Regal Haus as at 31 December 2023 were approximately S$890,000.00. The adjusted net liability value of Regal Haus of approximately S$25,957,000.00 was arrived at by disregarding the net book value of the Property of approximately S$25,067,000.00 (since the value of the

Property had already been reflected in the Total Consideration). After the adjustment, the remaining net liability value of Regal Haus as at 31 December 2023 amounted to approximately S$25,957,000.00. As the market value of the Property as indicated in its preliminary valuation was higher than its net book value in the unaudited management accounts of Regal Haus, the basis of the Total Consideration took into account of the preliminary valuation of the Property and the adjusted net liability value of Regal Haus.

The Total Consideration was then concluded through multiplying the total sum of the preliminary valuation of the Property and the adjusted net liability value of Regal Haus by 49.00%.

Set out below is the reconciliation between the net liability value of Regal Haus as at 31 December 2023 of approximately S$890,000.00 and the Total Consideration of S$3,206,250.00:

	S$ *Approximate*
Net liability value of Regal Haus as at 31 December 2023	(889,697)
Less: Net book value of the Property as at 31 December 2023	(25,066,927)
Adjusted net liability of Regal Haus as at 31 December 2023	(25,956,624)
Preliminary valuation of the Property as at 31 December 2023	32,500,000
Total sum	**6,543,376**
49% of the total sum	3,206,254
Total Consideration (rounded)	**3,206,250**

The valuation of the Property as at 31 December 2023 as appraised by the Independent Valuer was S$32,500,000.00. A valuation report of the Property as prepared by the Independent Valuer is set out in Appendix V to the Circular.

Conditions Precedent

As stated in the Letter from the Board, the Total Consideration will not be adjusted as at the Completion Date, including for the liabilities or indebtedness (whether actual or contingent) other than those disclosed in its unaudited management accounts as at 31 December 2023, mainly comprising (i) the Group's bank loan obtained for the acquisition and redevelopment of the Property; (ii) the shareholder loans provided by HPC Builders, Mr. Wang and Mr. Shi in proportion to their respective shareholdings in Regal Haus; (iii) trade payables which were all related to the redevelopment of the Property; and (iv) other payables mainly consisted of rental deposits received. Due to the Group's existing shareholding in Regal Haus, the Group is fully aware of the financial position of Regal Haus and has control over the business and operations of Regal Haus prior to the Completion. In consideration of the aforesaid liabilities of Regal Haus, and the entering of the new tenancy agreement on 3 November 2023 in relation to the leasing of Level 3 of HPC Building commencing on 1 February 2024 with the monthly rental income of S$18,000.00, which is not included in the accounts of Regal Haus as at 31 December 2023, the Directors are of the view that there will not be any increment in liability or indebtedness of Regal Haus over the period between 31 December 2023 and the Completion Date as (i) the bank loans will be reduced due to monthly repayment; (ii) the shareholder loans shall remain unchanged; (iii) the redevelopment of the Property was completed in November 2023 and hence, there will not be any increment in trade payables; and (iv) all rental deposits received for leasing of HPC Building are included in the accounts of Regal Haus as at 31 December 2023, whereas more rental income will be generated during the said period due to the said new tenancy agreement.

The Total Consideration comprised of valuation of the Property and the adjusted net liability value of Regal Haus. We have discussed with the management of the Company and understand that the valuation of the Property represents the significant portion of the Total Consideration due to the fact that the Regal Haus is a property holding company with rental income as the main source of income. As mentioned above, the liabilities mainly consisted of (i) the Group's bank loan obtained for the acquisition and redevelopment of the Property; (ii) the shareholder loans provided by HPC Builders; (iii) trade payables which are related to the redevelopment of the Property; and (iv) other payables mainly consisted of rental deposits received. Taking into account (i) the monthly rental income of S$75,000 in aggregate from the tenancy agreements signed with Independent Third Parties on hand; (ii) the Company's control over Regal Haus; and (iii) the remaining liabilities, we are of the view that the Total Consideration, when adjusted with reference to the accounts of Regal Haus prepared as at the Completion Date, would have increased if the net liabilities of Regal Haus had decreased due to the net repayment of liabilities and rental income received between 31 December 2023 and the Completion Date. We are of the view that the Total Consideration which will not be adjusted as at the Completion Date would become the ceiling and no such adjustment mechanism is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

5. Evaluation of the Total Consideration of the Acquisition

As stated in the Letter from the Board, the Total Consideration was determined after arm's length negotiations among Mr. Wang, Mr. Shi and HPC Builders with reference to, among others, (i) the preliminary valuation of the Property of S$32,500,000.00 as at 31 December 2023 (the "**Property Valuation**"), which was appraised by the Independent Valuer based on the direct comparison method and income capitalisation method; and (ii) the adjusted net liability value of Regal Haus of approximately S$25,957,000.00 as at 31

December 2023 based on its unaudited management accounts. The Total Consideration was then concluded through multiplying the total sum of the preliminary valuation of the Property and the adjusted net liability value of Regal Haus by 49.00%. Based on our discussion with the Directors, we concur with the Directors' view that it is appropriate that the Total Consideration was determined with reference to the Property Valuation instead of a business valuation of Regal Haus.

(i) Valuation Report

In order to assess the fairness and reasonableness of the Property Valuation, we have obtained and reviewed the Valuation Report and the underlying basis and assumptions prepared by the Independent Valuer. As stated in the Valuation Report, the market value of the Property as at 31 December 2023 (the "**Valuation Date**") is estimated to be S$32,500,000.

Scope of work

We have reviewed the terms of engagement of the Independent Valuer and consider that its scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might adversely impact on the degree of assurance given by the Property Valuation. Furthermore, we noted that the Valuation Report is prepared in accordance with Singapore Institute of Surveyors and Valuers guidelines and International Valuation Standards.

Qualification, experience and independence of the Independent Valuer

We have assessed the qualification, experience and independence of the Independent Valuer in relation to the preparation of the Valuation Report. We understand that David Ng and Eleen Chia, being the managing director and director of the Independent Valuer respectively, are persons-in-charge of the Property Valuation and have over 10 years of experience in the valuation industry respectively. We have also obtained information on the Independent Valuer's track records on other valuations and noted that the Independent Valuer has provided property valuation services to companies listed on the Stock Exchange and the Singapore Exchange respectively in the past. The Independent Valuer has also confirmed that it is independent from the Group, Regal Haus and their respective associates. Based on the above, we are satisfied with the qualification and experience of the Independent Valuer in relation to the Property Valuation.

Valuation basis

We have enquired with and were advised by the Independent Valuer that it had performed necessary due diligence works for the preparation of the Valuation Report, which included, among others, obtaining and review of floor plan, tenancy agreements and approval from the Urban Redevelopment Authority ("**URA**"). We have also obtained the floor plan, tenancy agreements and approval from the URA and checked the monthly rental income which was used to calculate the valuation under the income capitalisation method. As stated in the Valuation Report, the Property Valuation is conducted in compliance with the Singapore Institute of Surveyors and Valuers guidelines and International Valuation Standards. Based on our discussion with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions used in arriving at the Property Valuation. We have discussed with the Independent Valuer and noted that the Independent Valuer has made assumptions that Regal Haus sells the Property in the open market as at the Valuation Date in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the market value of the Property. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no allowance has been made for the Property to be sold in one lot or to a single purchaser. No allowance has been made in the Property Valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, the Independent Valuer has assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the market value of the Property and Regal Haus has absolute title to the Property. Unless otherwise stated, the Property is valued on the basis of 100% attributable interest. It is assumed that Regal Haus has free and uninterrupted rights to occupy and use the Property during the whole of the remaining land lease term. We have performed our own desktop research on the website of the Stock Exchange. Since there are a sufficient number of property valuations in a 6-month period, we consider they represent representative samples to demonstrate whether the adoption of the assumptions made by the Independent Valuer is in line with the market practice. Below is the list of property valuations that adopted similar assumptions:

Date of circular	**Listed companies**	**Stock code**
5 March 2024	Hong Kong Economic Times Holdings Limited	423
29 February 2024	Renze Harvest International Limited	1282
21 February 2024	Kinetic Development Group Limited	1277
2 February 2024	Kwan On Holdings Limited	1559
31 January 2024	Sundy Service Group Co. Ltd	9608
28 November 2023	Kato (Hong Kong) Holdings Limited	2189
22 November 2023	Silver Grant International Holdings Group Limited	171
10 November 2023	Diwang Industrial Holdings Limited	1950
26 October 2023	Asia Cassava Resources Holdings Limited	841
25 October 2023	Joy City Property Limited	207
20 October 2023	Legion Consortium Limited	2129

Source: website of the Stock Exchange

Based on the results of the desktop research, we noted that the assumptions are commonly adopted in the valuation of properties and we consider the assumptions adopted by the Independent Valuer are objective and appropriate to appraise the Property in the same way with other similar properties on an open market and in line with the market practice. We understand that the Independent Valuer has carried out inspections, made relevant enquiries and searches for the purpose of the Property Valuation, including but not limited to the sales transactions record in relation to the comparables of the Property. We have reviewed and discussed with the Independent Valuer the basis adopted in arriving at the value of the Property. As such, we consider that the basis adopted by the Independent Valuer for determining the market value of the Property are appropriate.

Valuation methodology

We have further discussed with the Independent Valuer on the selection of valuation methodology. According to the Valuation Report, the direct comparison method and the income capitalisation method were adopted for the Property Valuation.

According to our discussion with the Independent Valuer, valuations of completed properties are normally conducted in direct comparison approach and/or income capitalisation method. We understand that given data on comparable properties in the Singapore property market are mostly publicly available, the Independent Valuer considered the adoption of the direct comparison approach as most appropriate as it could provide a more objective result. The direct comparison approach is considered as the generally accepted valuation approach for valuing most forms of properties. In this method, a comparison is made with sales of similar properties in the vicinity and adjustments are made for differences in location, land area, land shape, floor area, floor loading, ceiling height, age, condition, tenure, design and layout, dates of transaction and the prevailing market conditions etc. before arriving at the value of the subject property. We have performed our own desktop research on the website of the Stock Exchange and noted that market approach, income capitalisation approach and cost approach are commonly adopted valuation approaches used by other listed companies. Based on our understanding, the cost approach is normally applied to asset which is not directly income-generating, and hence, the same is not applicable to the Property Valuation. On the other hand, the income capitalisation method and direct comparison approach are commonly used valuation methods for property valuation by the other listed companies. In view of this, we concur the view of the Independent Valuer that both the direct comparison approach and the direct capitalisation approach are commonly adopted for valuation of real estate properties in Singapore and are also consistent with normal market practice. By adopting the direct capitalisation approach (as stated below) we have cross-checked the result by applying the direct comparison approach which made reference to comparable sales transactions as available in the relevant market of properties similar to the Property.

Direct comparison method

The Property comprises a seven-storey single-user light industrial development with basement carpark and ancillary office erected on two contiguous plots of lands. The immediate locality consists of mainly industrial developments and HDB (Housing & Development Board) flats. Based on our discussion with the Independent Valuer, under the direct comparison approach, the Independent Valuer has considered and analysed the sale comparables of properties which fulfilled their selection criteria, including location, level, usage and built-up area. We are advised by the Independent Valuer, in arriving at the opinion of the market values of the Property, the Property Valuation is based on transactions of comparable properties in the vicinity with the transaction time close to the Valuation Date. The Independent Valuer has identified various relevant sales evidence which satisfied the criteria on timing, usage and location, including (i) the transaction dates of sales transactions are within one year prior to the Valuation Date; (ii) the sold properties are industrial unit with single title; (iii) the sold properties are leasehold properties with similar usage; and (iv) the sold properties are located in Bukit Merah. Three comparable transactions (the "**Comparables**") are selected as the Independent Valuer is of the view that the properties of the Comparables fulfilled the selection criteria. We have also performed our own online research with the criteria provided by the Independent Valuer and we have identified the same results which are the three Comparables below. We have also reviewed the comparable properties and sales transactions and associated source adopted by the Independent Valuer and discussed with the Independent Valuer regarding the reasons for adoption of those Comparables and the calculation to arrive at the market value of the Property. We have discussed with the Independent Valuer and noted that the above assumptions are common practice in valuation of properties in Singapore. Therefore, we consider the selection criteria is fair and reasonable. In addition, we have also set our own selection criteria: (i) the transaction dates of sales transactions are within one year prior to the Valuation Date; (ii) the sold properties are industrial unit; (iii) the sold properties are leasehold properties with similar usage; (iv) the sold properties are located in Bukit Merah; and (v) non-strata building. Based on our independent research with our own selection criteria, we are of the view that the Comparables are appropriate and exhaustive. Given that sufficient samples of comparable premises/properties are available for analysis, we are of the view that these comparable premises/properties provide good and objective benchmarks for the Property Valuation. Accordingly, we agree with the Independent Valuer that the direct comparison approach is appropriate for the Property Valuation.

The following table sets forth the details of the Comparables:

	The Property	Comparable 1	Comparable 2	Comparable 3
Address	7 Kung Chong Road	301 Alexandra Road	239, 241 Alexandra Road	315 Alexandra Road
Type of use	A 7-storey detached factory with basement car park	A 7-storey detached factory with basement carpark	A part 2/part 4-storey detached factory with basement carpark	A part 3/part 5-storey industrial factory with basement carpark
Site Area *(square feet)*	17,474.12	100,183.00	107,611.00	83,102.00
Gross floor area ("**GFA**") *(square feet)*	43,601.87	199,261.32	201,057.00	179,189.00
Tenure	99 years with effect from 1/1/1958	99 years with effect from 19/3/1948	99 years with effect from 19/3/1956	99 years with effect from 1/7/1956
Age	2023	2006	1994	1992
Balance tenure	34	24	32	32
Time of sale	–	14/2/2023	14/2/2023	6/7/2023
Sale price	–	S$131,000,000.00	S$142,000,000.00	S$68,000,000.00
Transaction rate **(A)** *(per square feet)*	–	S$657.43	S$706.27	S$379.49
Adjustments	–	General adjustments are made on the floor area, tenure, condition/specification of building, sale and leaseback term and time of sale (if any)	General adjustments are made on the floor area, tenure, condition/specification of building, sale and leaseback term and time of sale (if any)	General adjustments are made on the floor area, tenure, condition/specification of building, sale and leaseback term and time of sale (if any)
Floor Area	–	21.43%	21.53%	20.27%
Tenure	–	19.29%	2.91%	2.91%
Condition/specification	–	17.00%	29.00%	31.00%
Sale & Leaseback term	–	-33.00%	-33.00%	0.00%
Time of Sale	–	3.54%	3.54%	0.00%
Total Adjustment **(B)**	–	28.26%	23.98%	54.18%
Total Adjustment **(C) = A x B** *(per square feet)*	–	S$185.74	S$169.33	S$205.61
Adjusted rate **(D) = A + C** *(per square feet)*	–	S$843.17	S$875.59	S$585.10
Value derived *(per square feet) (note 1)*	S$767.95			
Value derived *(note 2)*	S$33,484,218.67			

Notes:

1. average of the adjusted rate per square feet of the Comparables
2. calculated by multiplying the value derived per square feet by the GFA of the Property

Based on the above table, the Comparables are located in Alexandra Road, which is near Kung Chong Road and in the same area as the Property. The date of the Comparables were from 14 February 2023 to 6 July 2023, which are within one year prior to the date of the Agreement. The GFA of the Comparables ranges from 179,189.00 square feet to 201,057.00 square feet. As discussed with the Independent Valuer, the transaction price has been adjusted with reference to the floor area, tenure, condition/specification of building, sale and leaseback term and time of sale. As discussed with the Independent Valuer, the adjustments are based on the industry practice of the Independent Valuer with reference to public sources which we have obtained and reviewed.

We understand that the Independent Valuer had evaluated the three comparable properties under the Comparables against the Property and adjustments have been considered to reflect the differences between them. We have reviewed the three Comparables and noted that three comparable properties under the Comparables are all leasehold properties and have different tenure, thus an adjustment was made to each of the Comparables with reference to the BALA's table. As discussed with the Independent Valuer, in Singapore, for leasehold property, the ownership of the land will be returned to the state upon the expiry of the lease term. The BALA's table provides a guide on the property valuation for the leasehold property versus its value over time as the government starts releasing 99 years leasehold. The Singapore Land Authority refers to a discounted values table showing the value of a parcel of land with different lease terms remaining, as a percentage of its value assuming it were freehold. We have obtained the BALA's table and checked the tenure of each of the Comparables against the BALA's table. As for the time of sale, since there was time different between the sales of the Comparables and the Valuation Date, the Independent Valuer refers to the price index of industrial space ("**PPI**") and made the adjustments to the time difference. We have checked the PPI and the calculations of the adjustments in this regard. As for the floor area, we note that the three comparable properties under the Comparables are larger than the Property in terms of GFA, ranging from 179,189.00 square feet to 201,057.00 square feet, and each double of the size of each comparable properties as compared to the Property applies a 10% premium to the Comparables. We have checked the calculations. As for the condition/specification, the Independent Valuer applied a 1% per year since the completion of the buildings of the Comparables. We have checked the age of each comparable properties under the Comparables against the Property. We also note that the Comparable 3 was sold with sale and leaseback term and therefore the discount of 33% is made to the Comparables 1 and 2. We calculated the discount rate based on the sale of the Comparable 3 assuming no sale and leaseback term which is in line with the discount of 33% made from the Independent Valuer. We have further discussed with the Independent Valuer assumptions for size premium and rate for condition/specification and note the Independent Valuer had used its professional expertise to assign different weightings to the general factors when applying adjustments. Assumptions adopted are in line with the industry practice. We understand that the Independent Valuer had applied relevant parameters to their previous property valuation for not less than 100 cases in the recent year. We have obtained and reviewed the working papers of each of 10 precedent cases conducted by the Independent Valuer and noted that the Independent Valuer used same parameters for valuation of properties. We noted that the adjustments applied in valuation process are to adjust the factors of the Comparables equivalent to those of the Property in order to obtain a precise result in the Property Valuation. In this regard, we have also performed independent research and noted that, according to the section headed "IVS105 Valuation Approaches and Methods" of the International Valuation Standards published by the International Valuation Standards Council, a professional should make adjustments for any material differences between the comparable transactions and the subject asset. Examples of common differences that could warrant adjustments may include, among others, material physical characteristics (age, size, specifications, etc.) and geographical location. As such, we consider that the factors considered by the Independent Valuer are in compliance with the International Valuation Standards. During our discussion with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Property Valuation. As such, we are of the view that the adjustments are fair and reasonable. We understand that the Independent Valuer had multiplied the average of the respective adjusted rate for the base unit of the Comparables with the GFA of the Property and reached the appraised value of the Property. The Independent Valuer determined the Property Valuation under the direct comparison method at S$33,484,218.67.

Income capitalisation method

According to the Independent Valuer, the income capitalisation method includes assumptions and estimations such as discount rate, maintenance rate, vacancy rate, rental income, and growth rate. As at Valuation Date, the Group had entered into three tenancy agreements, the total monthly rental income of which are S$185,000. According to the Independent Valuer, the Property Valuation is determined by discounting the net rental income with dividend rate. The net rental income is calculated by the total gross rental income deducted by maintenance rate, vacancy rate and property tax in Singapore. The total gross rental income includes (i) the rental income based on actual tenancy terms; and (ii) proposed future rental income based on the balance tenure of the Property.

We have further enquired the assumptions of the maintenance rate and vacancy rate. As confirmed by the Independent Valuer, the maintenance rate is assumed to be 10% and vacancy rate is assumed to be 5% based on industry practice, taking into consideration the cost to be incurred due to maintenance and period of vacancy. The rate of both parameters is based on industry practice. For property tax, it is based on the actual tax rate adopted in Singapore. We have checked the property tax on the website of the Inland Revenue Authority of Singapore (https://www.iras.gov.sg/quick-links/tax-rates/property-tax-rates) and found that commercial and industrial (non-residential) properties are taxed at 10% in Singapore. The capitalisation rate is based on the dividend yield of Reits in Singapore. We have obtained the SGX Research S-Reits & Property Trusts Chartbook and reviewed the dividend rate and noted that the Independent Valuer take average of the dividend yield of the three Reits in Singapore. Based on our discussion with the Independent Valuer and our due diligence on the assumptions of the abovementioned parameters, we are of the view that the assumptions under the income capitalisation method are fair and reasonable. The Independent Valuer determined the Property Valuation under the income capitalisation method at S$31,298,748.33.

Both direct comparison method and income capitalisation method determine the value of the Property, of which the valuation is based on reasonable assessment of the Property. Therefore, both direct comparison method and income capitalisation method could reasonably reflect the value of the Property. As confirmed by the Independent Valuer, the selection of both direct comparison method and income capitalisation method is based on the Independent Valuer's independent judgement, industry practice and the requirements of Singapore Institute of Surveyors and Valuers guidelines and International Valuation Standards. Based on the above facts and our discussion, the Independent Valuer is of the view that both direct comparison method and income capitalisation method fairly reflect the valuation of the Property. Taking account into (i) both direct comparison method and income capitalisation method fairly reflect the valuation of the Property; and (ii) the difference of the appraised value of both direct comparison method and income capitalisation is approximately 6.5% which is considered not significant, the Independent Valuer is of the view that the final appraised value which is arrived at by using average, i.e. 50% of each of the appraised value under both direct comparison method and income capitalisation method, is fair and reasonable. Given that (i) the Independent Valuer confirmed the using average values conducted under two methods is the industry practice and the requirements of Singapore Institute of Surveyors and Valuers guidelines and International Valuation Standards; and (ii) the difference of the Property Valuation under each method is not significant, we are of the view that the using average values conducted under two methods is fair and reasonable. As such, we are of the view that the Property Valuation was arrived at after due and careful consideration and the valuation of the Property of S$32,500,000.00 as at 31 December 2023 is fair and reasonable.

(ii) Adjusted net liability value of Regal Haus

As stated in the Letter from the Board, the adjusted net liability value of Regal Haus of approximately S$25,957,000.00 as at 31 December 2023, which was arrived at by disregarding the net book value of the Property of approximately S$25,067,000.00 (since the value of the Property had already been reflected in the Total Consideration). After the adjustment, the remaining net liability value of Regal Haus as at 31 December 2023 amounted to approximately S$25,957,000.00. Please refer to the Appendix II to the Circular for further details.

Based on (i) the Property Valuation was arrived at after due and careful consideration; and (ii) the Total Consideration is based on the Property Valuation and the adjusted net liability value of Regal Haus, we concur with the view of the Directors that the Total Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

6. Financial effects of the Acquisition

Upon the Completion, Regal Haus will be owned as to 100% by HPC Builders, and accordingly, become an indirect wholly-owned subsidiary of the Company. The financial results of Regal Haus will continue to be consolidated in the financial statements of the Group.

As the financial results of Regal Haus, being an indirect non-wholly owned subsidiary of the Company since the Previous Acquisition, had been consolidated into the financial statements of the Group prior to the Completion, the Acquisition will not have any effect on the Group's statement of profit of loss.

Earnings

Based on the accountant's report of Regal Haus set out in Appendix II to the Circular, Regal Haus recorded a net loss of approximately S$604,000.00 for the financial year ended 31 October 2023. As HPC Building was completed in 2023 and fully leased in early 2024, it is expected that the Acquisition will bring positive contribution to the Group's earnings.

Assets and Liabilities

Based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group set out in Appendix IV to the Circular, which is prepared as if the Acquisition had completed on 31 October 2023 to illustrate the effect of the Acquisition, it is expected that the total assets of the Enlarged Group would decrease from approximately S$180,019,000 to approximately S$176,053,000. As a result, the net assets attributable to owners of the Company would decrease from approximately S$87,514,000 to approximately S$84,222,000.

It is noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group would be after Completion.

OPINION

Having considered the above reasons, we are of the view that the Acquisition is not in the ordinary and usual course of business of the Group, but the terms of the Agreement and the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders; and we recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the AGM approving the terms of the Agreement and the Acquisition.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. FINANCIAL INFORMATION

The financial information of the Group for each of the financial years ended 31 October 2021, 2022 and 2023 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.hpc.sg):

– Annual Report of the Group for the financial year ended 31 October 2021 at pages 40 to 95:
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0221/2022022100399.pdf

– Annual Report of the Group for the financial year ended 31 October 2022 at pages 76 to 131:
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0220/2023022000689.pdf

- Annual Report of the Group for the financial year ended 31 October 2023 at pages 76 to 128:
https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0219/2024021900394.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 22 February 2024, being the most recent practicable date for the purpose of indebtedness statement of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following outstanding indebtedness:

	S$'000
Bank borrowings	
– secured and guaranteed	15,263
Lease liabilities	
– secured and guaranteed	212
Amount due to non-controlling Shareholders	
– unsecured and unguaranteed	2,524

Mortgage and Charges

As at 22 February 2024, the Enlarged Group's acquired land was mortgaged to secure the Group's bank loan. Besides, HPC Builders was also charged to the same bank for the same project as additional security. Other than that, only motor vehicles of the Enlarged Group were acquired via finance leases.

Contingent Liabilities and Financial Guarantees

As at 22 February 2024, the Enlarged Group was involved in a few litigation cases related to workplace injuries which were normally insured with insurance; therefore, the Enlarged Group does not expect any contingent liabilities in the foreseeable future.

Save as disclosed in the section headed "Mortgage and Charges", there was no financial guarantee granted in favour of the third party of the Enlarged Group.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, as at the close of business on 22 February 2024, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts, liabilities under acceptances or acceptance credits, loans or other similar indebtedness, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

After taking into account the Enlarged Group's internal resources, cash flows from operations and available banking facilities and the effect of the Acquisition, and in the absence of unforeseeable circumstances, the Directors are of the opinion that the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 October 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

According to BCA data, total construction demand in Singapore 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 the third 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 optimising 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 the first 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 of the Company shall work positively to ensure the Group is able to sail through these volatile and intensely competitive markets and to excel further.

The following is the text of a report received from McMillan Woods (Hong Kong) CPA Limited in relation to the financial information of Regal Haus, which has been prepared for the purpose of inclusion in this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF REGAL HAUS PTE. LTD. TO THE DIRECTORS OF HPC HOLDINGS LIMITED

Introduction

We report on the historical financial information of Regal Haus Pte. Ltd. (the "**Target Company**") set out on pages II-4 to II-31, which comprises the statements of financial position as at 31 October 2021, 2022 and 2023 and 31 December 2023 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-31 forms an integral part of this report, which has been prepared for inclusion in the circular of HPC Holdings Limited (the "**Company**") dated 8 April 2024 (the "**Circular**") in connection with the proposed acquisition of 49% equity interest in the Target Company by the Company (the "**Proposed Acquisition**").

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation and presentation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 October 2021, 2022 and 2023 and 31 December 2023 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to note 2.3 to the Historical Financial Information which states that as at 31 October 2021, 2022 and 2023 and 31 December 2023, the Target Company had net current liabilities of approximately $7,426,000, $8,187,000, $9,685,000 and $9,881,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative historical financial information

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the two months ended 31 December 2022 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 9 to the Historical Financial Information which states no dividends have been paid by the Target Company in respect of the Relevant Periods.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Wong Ka Bo, Jimmy
Practising Certificate no. P07560

24/F., Siu On Centre, 188 Lockhart Road,
Wanchai, Hong Kong

8 April 2024

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and were audited by McMillan Woods (Hong Kong) CPA Limited in accordance with International Standards on Auditing (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Singapore Dollars ("**SGD** or **$**") and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 October			Two months ended 31 December	
	Notes	**2021**	**2022**	**2023**	**2022**	**2023**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*
					(unaudited)	
Rental income	*5*	–	–	1,013	–	334
Finance income		1	–	–	–	1
Finance expense	*6*	(138)	(100)	(684)	–	(111)
Administrative expense		(574)	(526)	(933)	(89)	(212)
(Loss)/profit before tax	*7*	(711)	(626)	(604)	(89)	12
Income tax expense	*8*	–	–	–	–	(12)
Loss and total comprehensive expense attributable to owners of the Target Company for the year/period		(711)	(626)	(604)	(89)	–

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 October 2021	As at 31 October 2022	As at 31 October 2023	As at 31 December 2023
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Investment property	13	18,990	26,173	25,693	25,067
		18,990	26,173	25,693	25,067
Current assets					
Rental receivables	14	–	–	1	5
Other receivables	14	86	69	54	94
Cash and cash equivalents	15	497	65	106	14
		583	134	161	113
Total assets		19,573	26,307	25,854	25,180
EQUITY AND LIABILITIES					
Current liabilities					
Trade and retention payable	16	4,069	3,918	3,973	3,974
Other payables	16	644	540	1,913	1,448
Borrowings	17	720	1,237	1,334	1,334
Shareholder loans	18	2,576	2,626	2,626	3,226
Tax payable		–	–	–	12
		8,009	8,321	9,846	9,994
Net current liabilities		(7,426)	(8,187)	(9,685)	(9,881)
Non-current liabilities					
Borrowings	17	8,340	15,455	14,374	14,152
Retention payables	16	409	293	–	–
Shareholder loans	18	2,475	2,524	2,524	1,924
		11,224	18,272	16,898	16,076
Total liabilities		19,233	26,593	26,744	26,070
Net assets/(liabilities)		340	(286)	(890)	(890)

					As at
		As at 31 October			31 December
	Notes	**2021**	**2022**	**2023**	**2023**
		$'000	*$'000*	*$'000*	*$'000*
Capital and reserves					
Share capital	*19*	1,000	1,000	1,000	1,000
Accumulated losses		(1,063)	(1,689)	(2,293)	(2,293)
Equity contribution	*18*	403	403	403	403
Total equity/capital deficiency		340	(286)	(890)	(890)
Total equity/capital deficiency and liabilities		19,573	26,307	25,854	25,180

STATEMENTS OF CHANGES IN EQUITY

	Share capital $'000	Accumulated losses $'000	Equity contribution $'000 (note a)	Total equity/ (capital deficiency) $'000
Balance at 1 November 2020	1,000	(352)	384	1,032
Loss and total comprehensive expense for the year	–	(711)	–	(711)
Equity contribution *(Note 18)*	–	–	19	19
Balance at 31 October 2021 and 1 November 2021	1,000	(1,063)	403	340
Loss and total comprehensive expense for the year	–	(626)	–	(626)
Balance at 31 October 2022 and 1 November 2022	1,000	(1,689)	403	(286)
Loss and total comprehensive expense for the year	–	(604)	–	(604)
Balance at 31 October 2023 and 1 November 2023	1,000	(2,293)	403	(890)
Loss and total comprehensive expense for the period	–	–	–	–
Balance at 31 December 2023	1,000	(2,293)	403	(890)
At 1 November 2022 (audited)	1,000	(1,689)	403	(286)
Loss and total comprehensive expense for the period (unaudited)	–	(89)	–	(89)
At 31 December 2022 (unaudited)	1,000	(1,778)	403	(375)

Note:

(a) Equity contribution refers to the deemed capital contribution arising from the interest-free loans provided by shareholders (Note 18). It represents the difference between the imputed interest calculated by the market interest rate at the loan inception date and the face value of the shareholders loan.

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 October 2021 $'000	Year ended 31 October 2022 $'000	Year ended 31 October 2023 $'000	Two months ended 31 December 2022 $'000 (unaudited)	Two months ended 31 December 2023 $'000
Cash flows from operating activities:						
(Loss)/profit before tax		(711)	(626)	(604)	(89)	12
Adjustments for:						
Depreciation of investment property	7	407	421	716	72	136
Finance income		(1)	–	–	–	(1)
Finance expense	6	138	100	684	–	111
Operating cash flows before changes in working capital		(167)	(105)	796	(17)	258
Changes in working capital:						
Increase in rental receivables		–	–	(1)	–	(4)
(Increase)/decrease in other receivables		(85)	17	15	20	(40)
Increase/(decrease) in trade and retention payable		4,479	(268)	(238)	53	491
(Decrease)/increase in other payables		(369)	(104)	1,373	751	(465)
Net cash generated from/(used in) operation		3,858	(460)	1,945	807	240
Interest received		1	–	–	–	1
Net cash generated from/(used in) operating activities		3,859	(460)	1,945	807	241
Cash flow from investing activity:						
Purchase of leasehold land and building	*13(a)*	(4,021)	(7,604)	(236)	(152)	–
Net cash used in investing activity		(4,021)	(7,604)	(236)	(152)	–

	Notes	Year ended 31 October 2021 $'000	2022 $'000	2023 $'000	Two months ended 31 December 2022 $'000 (unaudited)	2023 $'000
Cash flows from financing activities:						
Proceeds from shareholder loan	25	950	–	–	–	–
Proceed from bank borrowings	25	–	8,400	–	–	–
Repayment of bank borrowings	25	(720)	(768)	(1,668)	(284)	(333)
Net cash generated from/(used in) financing activities		230	7,632	(1,668)	(284)	(333)
Net increase/(decrease) in cash and cash equivalents		68	(432)	41	371	(92)
Cash and cash equivalents at beginning of the year/period		429	497	65	65	106
Cash and cash equivalents at end of the year/period		497	65	106	436	14

1. Corporate information

Regal Haus Pte. Ltd. (the "**Target Company**") is a private limited liability company incorporated in Singapore. The Target Company's immediate holding company is HPC Builders Pte. Ltd. Its ultimate holding company is HPC Holdings Limited (the "**Company**").

The registered address and principal place of business of the Target Company is located at 7 Kung Chong Road, HPC Building, Level 6, Singapore 159144.

The principal activity of the Target Company is property investment.

2. Basis of preparation

2.1 Statement of compliance

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conform with International Financial Reporting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**") (hereinafter collectively referred to as the "**IFRSs**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the purpose of preparing the Historical Financial Information, the Target Company has consistently applied the accounting policies which conform with IFRSs during the Relevant Periods which are effective for the accounting period beginning on 1 November 2023 throughout the Relevant Periods.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgement in the process of applying the Target Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

2.2 Basis of measurement

The Historical Financial Information has been prepared under the historical cost convention.

2.3 Going concern basis

In preparing the Historical Financial Information, the directors of the Target Company have given careful consideration to the future liquidity of the Target Company, in light of the fact that as at 31 October 2021, 2022 and 2023 and 31 December 2023, the Target Company had net current liabilities of approximately $7,426,000, $8,187,000, $9,685,000 and $9,881,000, respectively. Notwithstanding the above result, the Historical Financial Information has been prepared on a going concern basis.

The above conditions indicate the existence of a material uncertainty which may cast a significant doubt about the ability of the Target Company to continue as a going concern.

In view of these circumstances, the directors of the Target Company have given careful consideration to the future liquidity requirements of the Target Company and its available sources of financing to assess whether the Target Company would have sufficient financial resources to fulfil its financial obligations to continue as a going concern. The Target Company has plan and measures to improve its financial position and to alleviate its liquidity pressure, which include but not limited to the following:

1) The immediate holding company, HPC Builders Pte. Ltd., has given its undertaking to the Target Company that it will continue to provide financial support to the Target Company to enable it to meet its liabilities as and when they fall due for the next twelve months from the date of the financial statements.

The directors of the Target Company have reviewed the Target Company's cash flow projections, which cover a period of not less than twelve months from 31 December 2023. They are of the opinion that the Target Company will have sufficient financial resources to satisfy its future working capital requirements as and when they fall due within the next twelve months from 31 December 2023. Accordingly, the directors of the Target Company consider that it is appropriate to prepare the Target Company's Historical Financial Information on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the Target Company is able to achieve its plans and measures, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Target Company will be able to continue as a going concern would depend upon the following:

1) Whether the Target Company will be able to obtain financing from the immediate holding company upon completion of the acquisition and whether the conditions for the provision of financing exist throughout the forecast period.

Should the Target Company be unable to achieve the above plans and measures such that it would not be operate as a going concern, adjustments would have to be made to reduce the carrying values of the Target Company's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the Historical Financial Information.

The directors of the Target Company considered the assumption that the Target Company will be able to obtain financing from the Company to be fair and reasonable given the immediate holding company, which is an indirect wholly-owned subsidiary of the Company, intends to commit further financing to enable the Target Company to meet its liabilities as and when they fall due for the next twelve months from the date of the financial statements.

2.4 Adoption of new and revised international financial reporting standards

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has early adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 November 2023 throughout the Relevant Periods. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations.

The Target Company has not applied the new and revised IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the financial statements of the Target Company.

3. Significant accounting policies

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

3.1 Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both.

Investment property is stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated to write-off the cost of investment property, less their residual value, if any, using straight-line method over their estimated useful lives of the remaining lease term ending 31 December 2056. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

Rent receivable is recognised on a straight-line basis over the period of the lease. Where an incentive (such as a rent-free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

3.2 *Leases*

The Target Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Target Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term.

3.3 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Target Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially measured and recorded in the functional currency of the Target Company at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Exchange differences arising on the settlement or translation of monetary items at the end of the reporting period are recognised in profit or loss.

3.4 *Impairment of non-financial assets*

The Target Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Target Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

Impairment losses are recognised in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future period.

3.5 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only, when the Target Company becomes a party to the contractual provisions of the instrument.

At initial recognition, the Target Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Target Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The Target Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Target Company becomes a party to the contractual provisions of the financial instrument. The Target Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.6 Impairment of financial assets

The Target Company recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Target Company applies a simplified approach in calculating ECLs. Therefore, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

The Target Company considers a financial asset in default when contractual payments are more than 90 days from the invoice date. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.7 Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and at bank which are subject to an insignificant risk of changes in value.

3.8 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax law used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

3.9 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.10 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

4. Critical judgements and key estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Target Company have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information.

(a) Going concern and Liquidity

The assessment of the going concern assumptions involves making judgments by the directors of the Target Company, at a particular point of time, about future outcome of events of conditions which are inherently uncertain. Please refer to note 2.3 in relation to the going concern assumptions adopted by the directors of the Target Company.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment, investment property and depreciation

The Target Company determines the estimated useful lives, residual values and related depreciation charges for the Target Company's property, plant and equipment and investment property. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment and investment property of similar nature and functions. The Target Company will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment and investment property are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

(b) Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event such as any assets have become obsolete or idle, has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or value in use which is estimated based upon the continue use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections. Changing the judgment and estimations adopted by management in assessing impairment, including the estimated resale values with reference to the historical disposal values or second-hand market price of the assets and the estimated future cash flows generating from the property, plant and equipment with reference to the historical and expected rental income from leasing for assets in use, could affect the recoverable amounts used in the impairment test and as a result affect the Target Company's financial position and results of operations. In the opinion of the directors of the Target Company, there is no impairment indication during the Relevant Period.

5. Rental income

	Year ended 31 October			**Two months ended 31 December**	
	2021	**2022**	**2023**	**2022**	**2023**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(unaudited)	
Rental income *(note)*	–	–	1,013	–	334

Note: The Target Company completed its construction of the investment property in January 2023 and subsequently earned rental income.

6. Finance expense

	Year ended 31 October			**Two months ended 31 December**	
	2021	**2022**	**2023**	**2022**	**2023**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(unaudited)	
Accretion of interest expense on shareholder loan *(Note i)*	118	99	–	–	–
Other interest expense	20	1	–	–	–
Interest expense on bank borrowings *(Note ii)*	–	–	684	–	111
	138	100	684	–	111

Notes:

(i) Pertains to deemed equity contribution arising from the interest-free shareholder loan (Note 18).

(ii) For the years ended 31 October 2021 and 2022, the interest expense incurred on the borrowings were capitalised to property, plant and equipment. Upon completion of the investment property in January 2023, the interest expense was no longer capitalised and charged to profit and loss.

7. Loss before tax

	Year ended 31 October			Two months ended 31 December	
	2021	2022	2023	2022	2023
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(unaudited)	
Depreciation on investment property	407	421	716	72	136
Property tax	154	87	91	15	46
Auditor's remuneration	10	10	10	2	2

8. Income tax expense

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

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 October 2021, 2022 and 2023 and two months ended 31 December 2022 and 2023 are:

	Year ended 31 October			Two months ended 31 December	
	2021	2022	2023	2022	2023
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Current income tax	–	–	–	–	12
Income tax expense recognised in profit or loss	–	–	–	–	12

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

The reconciliation between the tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rate for the years ended 31 October 2021, 2022 and 2023 and two months ended 31 December 2022 (unaudited) and 2023 are as follows:

	Year ended 31 October			Two months ended 31 December	
	2021	2022	2023	2022	2023
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
				(unaudited)	
(Loss)/profit before tax	(711)	(626)	(604)	(89)	12
Income tax expense at statutory tax rate	(121)	(106)	(103)	(15)	2
Adjustments:					
Non-deductible expenses	121	106	103	15	23
Tax exemption *(Note)*	–	–	–	–	(13)
	–	–	–	–	12

Note: The Target Company qualifies for partial tax exemption offered by the Inland Revenue Authority of Singapore, where the first $10,000 is subject to a 75% tax exemption and the next $190,000 is subject to a 50% tax exemption.

The Target Company does not have any unused tax losses available for offset against future profits during the Relevant Period.

9. Dividends

No dividend was paid or proposed for ordinary shareholders of the Target Company during the Relevant periods, nor has any dividend been proposed since the end of the reporting period.

10. Directors' emoluments

Directors' emoluments disclosed pursuant to section of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Fees	Salaries and other allowances	Pension scheme and contributions	Total
	$'000	*$'000*	*$'000*	*$'000*
Years ended 31 October 2021, 2022 and 2023 and two months ended 31 December 2022 (unaudited) and 2023				
Mr. Wang Yingde*	–	–	–	–
Mr. Shi Jianhua*	–	–	–	–
	–	–	–	–

* The directors' emoluments during the Relevant Periods were borne by the ultimate holding company.

No directors of the Target Company waived any emoluments and no amount was paid as an inducement to join the Target Company during the Relevant Periods.

11. Individuals with highest emoluments

The wage, emoluments and bonuses of staffs were borne by the immediate holding company, HPC Builders Pte. Ltd., during the Relevant Periods.

Accordingly, the directors of the Target Company are of the opinion that individuals with highest emoluments is not considered meaningful and thus, not included for the purpose of this report.

12. Loss per share

Loss per share information is not presented as its inclusion for the purpose of this report is not considered meaningful.

13. Investment property

	Leasehold land $'000	Leasehold building $'000	Leasehold building under construction $'000	Total $'000
Cost:				
As at 1 November 2020	14,385	–	991	15,376
Additions	164	–	3,857	4,021
As at 31 October 2021 and 1 November 2021	14,549	–	4,848	19,397
Additions	224	–	7,380	7,604
As at 31 October 2022 and 1 November 2022	14,773	–	12,228	27,001
Additions	85	–	151	236
Transferred to leasehold building upon completion of construction	–	12,379	(12,379)	–
As at 31 October 2023 and 1 November 2023	14,858	12,379	–	27,237
Adjustment *(Note)*	–	(490)	–	(490)
As at 31 December 2023	14,858	11,889	–	26,747
Accumulated depreciation:				
As at 1 November 2020	–	–	–	
Depreciation for the year	407	–	–	407
As at 31 October 2021 and 1 November 2021	407	–	–	407
Depreciation for the year	421	–	–	421
As at 31 October 2022 and 1 November 2022	828	–	–	828
Depreciation for the year	440	276	–	716
As at 31 October 2023 and 1 November 2023	1,268	276	–	1,544
Depreciation for the period	75	61	–	136
As at 31 December 2023	1,343	337	–	1,680
Net carrying amount:				
As at 31 October 2021	14,142	–	4,848	18,990
As at 31 October 2022	13,945	–	12,228	26,173
As at 31 October 2023	13,590	12,103	–	25,693
As at 31 December 2023	13,515	11,552	–	25,067

Note: During the two months ended 31 December 2023, the cost of certain items relating to leasehold building was adjusted in accordance with the work certificate issued by the vendor. This constituted a non-cash transaction as the total amount due to the vendor had not been settled yet and the outstanding balance was offset by this adjustment.

Capitalisation of borrowing costs

The Target Company's investment property consist of leasehold land and leasehold building situated in Singapore. As at 31 October 2021 and 2022, the fair value of the investment property could not be reliably measured as it was still under construction. As at 31 October 2023 and 31 December 2023, the fair value of the investment property was approximately $32,500,000.

During the year ended 31 October 2023, the rental income deriving from the investment property amounted to approximately $1,013,000, direct operating expenses (including repairs and maintenance, property tax and land betterment charges) arising from the investment property that generated rental income was approximately $190,000 and there were no direct operating expenses arising from the investment property that did not generate rental income. During the two months ended 31 December 2023, the rental income deriving from the investment property amounted to approximately $334,000, direct operating expenses (including repairs and maintenance, property tax and land betterment charges) arising from the investment property that generated rental income was approximately $73,000 and there were no direct operating expenses arising from the investment property that did not generate rental income.

Further details of the valuation of the investment property is detailed in Appendix V of this circular.

During the years ended 31 October 2021, 2022 and 2023, the borrowing costs capitalised as cost of investment property under construction amounted to approximately $164,000, $326,000 and $186,000, respectively. No borrowing costs were capitalised for the two months ended 31 December 2023 (2022 (unaudited): approximately $156,000).

Assets pledged as security

During the Relevant Periods, the Target Company's investment property with a carrying amount of approximately $18,990,000, $26,173,000, $25,693,000 and $25,067,000, respectively, were mortgaged to secure the Target Company's bank loan (Note 17).

14. Rental and other receivables

	As at 31 October			**As at 31 December**
	2021	**2022**	**2023**	**2023**
	$'000	*$'000*	*$'000*	*$'000*
Rental receivable	–	–	1	5
GST receivable	56	40	49	89
Deposits	29	28	4	4
Prepayments	1	1	1	1
	86	69	54	94

The carrying amounts of current rental receivables approximate their fair values. Rental receivables are non-interest bearing and are generally settled in advance. The ageing analysis of the rental receivables, based on invoice date, is as follows:

	As at 31 October			As at 31 December
	2021	2022	2023	2023
	$'000	*$'000*	*$'000*	*$'000*
Less than 3 months	–	–	1	5
3 to 6 months	–	–	–	–
Over 6 months to one year	–	–	–	–
More than 1 year	–	–	–	–
	–	–	1	5

Rental receivables that were past due but not impaired relate to a number of customers that have a good track record with the Target Company. There was no movement in allowance for ECLs on rental and other receivables during the Relevant Periods.

15. Cash and cash equivalents

	As at 31 October			As at 31 December
	2021	2022	2023	2023
	$'000	*$'000*	*$'000*	*$'000*
Cash and bank balances	497	65	106	14

Cash and cash equivalents are denominated in Singapore Dollars. Cash at bank earns interests at floating rates based on daily bank deposit rates.

16. Trade and retention payable and other payables

	As at 31 October			As at 31 December
	2021	**2022**	**2023**	**2023**
	$'000	*$'000*	*$'000*	*$'000*
Construction cost payables				
– Related parties *(Note 21(c))*	3,795	2,853	2,972	3,681
– Non-related parties	274	772	1,001	293
	4,069	3,625	3,973	3,974
Retention payables				
– Related parties *(Note 21(c))*	379	586	–	–
– Non-related parties	30	–	–	–
	409	586	–	–
Total trade and retention payables	4,478	4,211	3,973	3,974
Classified as:				
– Current	4,069	3,918	3,973	3,974
– Non-current	409	293	–	–
	4,478	4,211	3,973	3,974
Other accruals	167	34	39	12
Accrued construction costs	477	6	–	–
Rental income receipt in advance	–	–	898	238
Deposit received	–	500	891	927
Property tax payable	–	–	–	118
GST Payable	–	–	85	153
	644	540	1,913	1,448

Related party transactions and balances are further detailed in Note 21.

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

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

	As at 31 October			As at 31 December
	2021	**2022**	**2023**	**2023**
	$'000	*$'000*	*$'000*	*$'000*
– Less than 3 months	1,174	439	–	–
– 3 to 6 months	1,177	346	325	99
– Over 6 months to 1 year	1,718	269	33	259
– More than 1 year	–	2,571	3,615	3616
	4,069	3,625	3,973	3,974

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

Retention payables were not yet past due as at 31 October 2021, 2022 and 2023 and 31 December 2023 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 preagreed time period.

17. Borrowings

		As at 31 October			As at 31 December
	Maturity	**2021**	**2022**	**2023**	**2023**
		$'000	*$'000*	*$'000*	*$'000*
Current					
SGD bank loan	2035	720	1,237	1,334	1,334
Non-current					
SGD bank loan	2035	8,340	15,455	14,374	14,152

SGD 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 5.45% during the Relevant Periods.

The loan is secured by first mortgage over certain property (Note 13) of the Target Company, corporate guarantee provided by the immediate holding company, HPC Builders Pte. Ltd. and personal guarantees provided by the directors of the Target Company.

The loan includes a financial covenant which requires the Target Company 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 Target Company obtaining Temporary Occupation Permit on the secured property.

The borrowings are repayable as follows:

	As at 31 October			As at 31 December
	2021	**2022**	**2023**	**2023**
	$'000	*$'000*	*$'000*	*$'000*
Within one year	720	1,237	1,334	1,334
More than one year but not exceeding two years	720	1,237	1,334	1,334
More than two years but not exceeding five years	2,160	3,711	4,002	4,003
More than five years	5,460	10,507	9,038	8,815
	9,060	16,692	15,708	15,486

18. Shareholder loans

	As at 31 October			As at 31 December
	2021	**2022**	**2023**	**2023**
	$'000	*$'000*	*$'000*	*$'000*
Shareholder loans	5,150	5,150	5,150	5,150
Less: Deemed equity contribution	(403)	(403)	(403)	(403)
Add: Accretion of interest expense on shareholder loan	304	403	403	403
	5,051	5,150	5,150	5,150
Classified as:				
Non-current	2,475	2,524	2,524	1,924
Current	2,576	2,626	2,626	3,226
	5,051	5,150	5,150	5,150

The expected cash out flow based on the repayment date for shareholder loans are as follows:

	As at 31 October			As at 31 December
	2021	**2022**	**2023**	**2023**
	$'000	*$'000*	*$'000*	*$'000*
Within one year	2,576	2,626	2,626	3,226
More than one year but not exceeding two years	–	–	600	600
More than two years but not exceeding five years	2,475	2,524	1,924	1,324
	5,051	5,150	5,150	5,150

The loans from the shareholders, comprising two individual shareholders and the immediate holding company, are used for the acquisition of the investment property under construction incurred by the Target Company. As at 31 October 2021, the loans from the individual shareholders of approximately $2,475,000 are interest-free and are expected to be repaid in 2022. During the year ended 31 October 2022, the loans from the individual shareholders were extended. As at 31 October 2022 and 2023 and 31 December 2023, the loans from the individual shareholders of approximately $2,524,000 are interest-free and are expected to be repaid in 2027. The loan from the immediate holding company of approximately $2,576,000 as at 31 October 2021 and $2,626,000 as at 31 October 2022 and 2023 and 31 December 2023 is interest-free and repayable on demand during the Relevant Periods. Further details of the shareholder loans are disclosed in Note 21(c).

The fair values of the non-current shareholder loans are computed based on cash flows discounted at market borrowing rates. The fair values of the non-current shareholder loans are as follows:

	As at 31 October			As at 31 December
	2021	**2022**	**2023**	**2023**
Shareholder loans ($'000)	2,459	2,183	2,209	1,658

19. Share capital

	As at 31 October						As at 31 December	
	2021		2022		2023		2023	
	No. of shares	*$'000*	*No. of shares*	*$'000*	*No. of shares*	*$'000*	*No. of shares*	*$'000*
Ordinary shares issued and fully paid:								
At beginning and end of the year/period	1,000,000	1,000	1,000,000	1,000	1,000,000	1,000	1,000,000	1,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Target Company. All ordinary shares carry one vote per share without restriction and have no par value.

20. Commitments

Operating lease commitments where the Target Company is a lessor

The Target Company leased out the property located at 7 Kung Chong Road, HPC Building, Singapore 159144 as at 31 October 2023 and 31 December 2023.

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:

	As at 31 October			As at 31 December
	2021	2022	2023	2023
	$'000	*$'000*	*$'000*	*$'000*
Within one year	–	–	1,344	1,340
In the second year	–	–	684	900
In the third year	–	–	399	501
	–	–	2,427	2,741

21. Material related party transactions

a. Names and relationships with related parties

The Target Company entered into the material related party transactions with the following parties during the Relevant Periods:

Name of related parties	Relationship
HPC Builders Pte. Ltd.	Immediate holding company and shareholder
DHC Construction Pte. Ltd.	Subsidiary of the ultimate holding company, HPC Holdings Limited
Wang Yingde	Director and shareholder
Shi Jianhua	Director and shareholder

b. ***Significant transactions with related parties***

	Year ended 31 October			Two months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	$'000	*$'000*	*$'000*	*$'000* (Unaudited)	*$'000*
Construction costs capitalised under leasehold land and building *(note i)*					
DHC Construction Pte. Ltd.	3,012	3,233	–	–	–
Rental income *(note ii)*					
HPC Builders Pte. Ltd.	–	–	880	–	220

Notes:

(i) During the Relevant Periods, the Target Company engaged DHC Construction Pte. Ltd., a subsidiary of the ultimate holding company, to provide building construction services. Please refer to the Company's circular dated 28 June 2019 for further details.

(ii) Upon completion of its building, the Target Company entered into a lease arrangement to lease office premise of the investment property to HPC Builders Pte. Ltd., the immediate holding company and one of the shareholders. The lease was made under normal commercial terms.

c. ***Balances with related parties***

	As at 31 October			As at 31 December
	2021	**2022**	**2023**	**2023**
	$'000	*$'000*	*$'000*	*$'000*
DHC Construction Pte. Ltd.				
– Trade and retention payables *(Note 16)*	4,174	3,439	2,972	3,681
– Project security deposit *(Note 16)*	–	500	500	500
HPC Builders Pte. Ltd.				
– Rental income received in advance *(Note 16)*	–	–	898	238
– Tenant security deposit *(Note 16)*	–	–	220	220
– Shareholder loan *(Note 18)*	2,576	2,626	2,626	2,626
Wang Yingde				
– Shareholder loan *(Note 18)*	1,361	1,388	1,388	1,388
Shi Jianhua				
– Shareholder loan *(Note 18)*	1,114	1,136	1,136	1,136

d. ***Compensation of key management personnel of the Target Company***

The directors and other members of key management of the Target Company received emoluments from the ultimate holding company and fellow subsidiaries of the Target Company.

e. ***Financial guarantee provided by the immediate holding company and directors***

During the Relevant Period, the immediate holding company and directors of the Target Company provided a financial guarantee in favour of a bank to secure the Target Company's bank borrowings.

22. Summary of financial assets and liabilities by category

The following table shows the carrying amount of financial assets and liabilities:

	As at 31 October			As at 31 December
	2021	2022	2023	2023
	$'000	*$'000*	*$'000*	*$'000*
Financial assets at amortised cost				
– Rental receivables	–	–	1	5
– Other receivables	29	28	4	4
– Cash and cash equivalents	497	65	106	14
	526	93	111	23
Financial liabilities at amortised cost				
– Trade and retention payables	4,478	4,211	3,973	3,974
– Other payables	644	540	930	939
– Borrowings	9,060	16,692	15,708	15,486
– Shareholder loans	5,051	5,150	5,150	5,150
	19,233	26,593	25,761	25,549

23. Financial risk management objectives and policies

The Target Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk and liquidity risk.

The following sections provide details regarding the Target Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Target Company's exposure to credit risk arises primarily from cash and cash equivalents.

The Target Company's credit risk arising from cash and cash equivalents is limited because the counterparties are reputable banks for which the Target Company considers to have low credit risk. No other material financial assets carry a significant exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Target Company's financial instruments will fluctuate because of changes in market interest rates. The Target Company's exposure to interest rate risk arises primarily from their borrowings. The Target Company's cash at banks carry low interest rates for which the interest income is not significant.

Sensitivity analysis for interest rate risk

At 31 October 2021, 2022 and 2023, if interest rates had been 50 basis points lower/higher with all other variables held constant, the Target Company's loss net of tax would have been approximately S$13,000, $47,000 and $81,000, respectively, lower/higher, arising mainly as a result of lower/higher interest expenses on borrowings, respectively. At 31 December 2023, if interest rates had been 50 basis points lower/higher with all other variables held constant, the Target Company's profit net of tax would have been approximately $13,000 higher/lower (31 December 2022 (unaudited): loss net of tax approximately $8,000 lower/higher), arising mainly as a result of lower/higher interest expenses on borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market conditions.

Liquidity risk

Liquidity risk is the risk that the Target Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Target Company's exposure to liquidity risk arises primarily from mismatches of collections and payments timing. The Target Company's objective is to maintain sufficient reserves of cash from business.

Analysis of financial liabilities by remaining contractual maturities

The table below analyses the Target Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2023

	One year or less	**Between one to five years**	**Over five years**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Trade and retention payables	3,974	–	–	3,974
Other payables	939	–	–	939
Borrowings	2,165	9,695	8,659	20,519
Shareholder loan	3,226	1,924	–	5,150
	10,304	11,619	8,659	30,582

As at 31 October 2023

	One year or less	**Between one to five years**	**Over five years**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Trade and retention payables	3,973	–	–	3,973
Other payables	930	–	–	930
Borrowings	2,165	9,695	8,992	20,852
Shareholder loan	2,626	2,524	–	5,150
	9,694	12,219	8,992	30,905

As at 31 October 2022

	One year or less $'000	Between one to five years $'000	Over five years $'000	Total $'000
Trade and retention payables	3,918	293	–	4,211
Other payables	540	–	–	540
Borrowings	1,959	7,396	12,270	21,625
Shareholder loan	2,626	2,524	–	5,150
	9,043	10,213	12,270	31,526

As at 31 October 2021

	One year or less $'000	Between one to five years $'000	Over five years $'000	Total $'000
Trade and retention payables	4,069	409	–	4,478
Other payables	644	–	–	644
Borrowings	873	4,175	5,017	10,065
Shareholder loan	2,576	2,475	–	5,051
	8,162	7,059	5,017	20,238

24. Fair values of assets and liabilities

Fair value of financial instruments by classes that are not carried at fair value whose carrying amounts are reasonable approximation of fair value

Rental receivables (Note 14), other receivables (Note 14), cash and cash equivalents (Note 15), trade and retention payables (current) (Note 16), other payables (Note 16) and shareholder loans (current) (Note 18)

The carrying amounts of rental receivables, other receivables, cash and cash equivalents and trade and retention payables (current), other payables and shareholder loans (current) approximate their fair values due to their short-term nature.

Retention payables (non-current) (Note 16)

The carrying amounts of the non-current portion of retention payables are reasonable approximations of their fair values as the present value differential is not significant.

Borrowings (Note 17)

The carrying amounts of the borrowings are reasonable approximation of their fair values as the interest rate approximates the market interest rate prevailing at the respective year ends.

Other financial instruments

Shareholder loans (non-current)

The fair value of the non-current portion of the shareholder loans are disclosed in Note 18.

25. Capital management

The Target Company's primary objective when managing capital is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust capital structure, the Target Company may issue new shares or obtain financial support from its immediate holding company. No significant changes were made in the objective, policies or processes during the Relevant Periods.

The directors of the Target Company monitor capital using a gearing ratio, which is total borrowings divided by total equity. The Target Company's policy aim to keep the gearing ratio at a reasonable level. The gearing ratios during the Relevant Periods are as follows:

	As at 31 October			As at 31 December
	2021	**2022**	**2023**	**2023**
	$'000	*$'000*	*$'000*	*$'000*
Total borrowings	9,060	16,692	15,718	15,486
Total equity/(capital deficiency)	340	(286)	(890)	(890)
Gearing ratio	26.65	(58.36)	(17.66)	(17.40)

The borrowings includes a financial covenant which requires the Target Company 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 Target Company obtaining Temporary Occupation Permit on the secured property.

Other than disclosed in Note 17 to the Historical Financial Information, the Target Company did not raise any external borrowings.

26. Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Company's statements of cash flows as cash flows from financing activities.

	Borrowings	**Shareholder loans**	**Total**
	$'000	*$'000*	*$'000*
	(Note 17)	*(Note 18)*	
As at 1 November 2020	9,780	3,983	13,763
Changes from financing cash flow:			
Proceeds from shareholder loan	–	950	950
Repayment of bank borrowings	(720)	–	(720)
Total changes from financing cash flows	(720)	950	230
Other changes:			
Finance costs	–	118	118
Total other changes	–	118	118
As at 31 October 2021 and 1 November 2021	9,060	5,051	14,111
Changes from financing cash flow:			
Proceed from bank borrowings	8,400	–	8,400
Repayment of bank borrowings	(768)	–	(768)
Total changes from financing cash flows	7,632	–	7,632

	Borrowings *$'000* *(Note 17)*	Shareholder loans *$'000* *(Note 18)*	Total *$'000*
Other changes:			
Finance costs	–	99	99
Total other changes	–	99	99
As at 31 October 2022 and 1 November 2022	16,692	5,150	21,842
Changes from financing cash flow:			
Repayment of bank borrowings	(1,668)	–	(1,668)
Total changes from financing cash flows	(1,668)	–	(1,668)
Other changes:			
Finance costs	684	–	684
Total other changes	684	–	684
As at 31 October 2023 and 1 November 2023	15,708	5,150	20,858
Changes from financing cash flow:			
Repayment of bank borrowings	(333)	–	(333)
Total changes from financing cash flows	(333)	–	(333)
Other changes:			
Finance costs	111	–	111
Total other changes	111	–	111
As at 31 December 2023	15,486	5,150	20,636
As at 1 November 2022	16,692	5,150	21,842
Changes from financing cash flow:			
Repayment of bank borrowings	(284)	–	(284)
Total changes from financing cash flows	(284)	–	(284)
As at 31 December 2022	16,408	5,150	21,558

27. Events after the reporting period

There are no significant subsequent events occurred that materially affect the Target Company's financial condition or operation after 31 December 2023 and up to the date of this accountants' report.

28. Subsequent financial statements

No audited financial statements of the Target Company has been prepared in respect of any period subsequent to 31 December 2023 .

*Set out below is the management discussion and analysis of Regal Haus for each of the financial years ended 31 October 2021, 2022 and 2023 and the two months ended 31 December 2023 (collectively, the "**Relevant Period**") based on the financial information of Regal Haus set out in Appendix II to this circular.*

BUSINESS REVIEW

Regal Haus is an investment holding company incorporated in Singapore with limited liability. Its major asset is the Property, which comprises a seven storey light industrial building located at 7 Kung Chong Road, Singapore 159144.

RESULTS OF OPERATIONS

	For the two months ended 31 December	For the year ended 31 October		
	2023	**2023**	**2022**	**2021**
	(audited)	(audited)	(audited)	(audited)
	S$	*S$*	*S$*	*S$*
Rental income	334,000	1,012,887		
Other income	801	347	330	704
Finance expenses	(111,264)	(683,660)	(99,649)	(137,739)
Administrative expenses	(211,559)	(933,381)	(526,136)	(574,395)
Profit/(Loss) before tax	11,978	(603,807)	(625,455)	(711,430)
Income tax expense	(12,137)	–	–	
Loss for the period/year, representing total comprehensive income attributable to owners of the company	**(159)**	**(603,807)**	**(625,455)**	**(711,430)**

FINANCIAL REVIEW

Regal Haus adopts the cost model to measure the carrying amount of its property instead of revaluation model, therefore, all ratios below are applicable to cost model.

Rental Income

During the Relevant Period, the revenue recorded by the Regal Haus was SNil, SNil, S$1,012,887 and S$334,000 respectively, which was the rental income generated from the tenancies of the Property. The Property was granted the temporary occupation permit on 15 January 2023 with full completion on 8 November 2023, when the substantial completion certificate was granted, and started to generate rental income on 1 March 2023.

Other income

Other income mainly attributed to bank interest credited in the respective Relevant Period.

Administrative Expenses

During the Relevant Period, the administrative expenses recorded by Regal Haus were S$574,395, S$526,136, S$926,462 and S$211,559 respectively.

Finance Costs

During the Relevant Period, the finance costs recorded by Regal Haus were S$137,739, S$99,649, S$690,579 and S$111,264 respectively.

Income Tax Expense

During the Relevant Period, there was only a S$12,137 income tax recorded for the two months ended on 31 December 2023.

Dividend paid

During the Relevant Period, no dividend was paid or proposed by Regal Haus.

Liquidity and Financial Resources

The current ratio of the Regal Haus, calculated as current assets divided by current liabilities, as at 31 October 2021, 2022 and 2023 and 31 December 2023 was approximately 5.6%, 1.2%, 1.3% and 8.8% respectively. The bank balances and cash of the Regal Haus as at 31 October 2021, 2022 and 2023 and 31 December 2023 were S$497,452, S$64,697, S$105,545 and S$13,696 respectively.

Gearing Ratio

The gearing ratio of Regal Haus was calculated by the total borrowings divided by the total equity as at the end of each financial year. The gearing ratio as at 31 October 2021, 2022 and 2023 and 31 December 2023 was approximately 26.65, (58.36), (17.67) and (17.40) respectively.

As at 31 October 2021, 2022 and 2023 and 31 December 2023, Regal Haus had bank borrowings of S$9,060,000, S$16,692,250, S$15,708,206 and S$15,485,824 respectively.

Charges on Assets

As at 31 October 2021, 2022 and 2023 and 31 December 2023, the Property was pledged to secure bank borrowings of Regal Haus as mortgage loan for the acquisition and redevelopment of the Property.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

There were no significant investments, material acquisitions or disposals during the Relevant Period.

SEGMENTAL INFORMATION

The operation of the Regal Haus represents a single operating and reportable segment, which is property investment. As such, there is no segment information available for the Relevant Period.

CAPITAL STRUCTURE

During the Relevant Period, the capital structure of Regal Haus comprises bank borrowings, bank balances, payables and issued share capital. Regal Haus finances its operations and activities primarily by rental income generated from the tenancies of the Property subsisted.

FOREIGN EXCHANGE EXPOSURE

Regal Haus' income and monetary assets and liabilities are denominated in Singapore dollars. There was no foreign exchange exposure during the Relevant Period. As at the Latest Practicable Date, Regal Haus did not have a foreign currency hedging policy.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 31 October 2021, 2022 and 2023 and 31 December 2023, Regal Haus had no contingent liabilities.

During the Relevant Period, Regal Haus had no capital commitments.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Regal Haus had no plan on any material investments or capital assets.

The following is the text of a report received from McMillan Woods (Hong Kong) CPA Limited in relation to the unaudited pro forma financial information of the Enlarged Group, which has been prepared for the purpose of inclusion in this circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7, "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants and on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition on the financial position of the Group as if Acquisition had been taken place on 31 October 2023.

The Unaudited Pro Forma Financial Information is prepared based on (i) the information on the audited consolidated statement of financial position of the Group as at 31 October 2023, which has been extracted from the published annual report of the Group for the year ended 31 October 2023; (ii) the audited consolidated statement of financial position of Regal Haus Pte. Ltd. (the "**Target Company**") as at 31 December 2023, which has been extracted from the accountant's report as set out in Appendix II to this circular, and after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition and (ii) factually supportable as if the Acquisition had been completed on 31 October 2023. The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 October 2023 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction of the historical financial information of the Group and the Target Company, as set out in the published annual report of the Group for the year ended 31 October 2023 and accountants' report of the Target Company as set out in Appendix II to this circular, respectively and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 October 2023	The Target Company as at 31 December 2023	Pro forma adjustments				The Enlarged Group as at 31 October 2023
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
ASSETS							
Non-current assets							
Property, plant and equipment	34,099	–	(25,693)	25,067	–	–	33,473
Deferred tax assets	4,328	–					4,328
Investment property	–	25,067	–	(25,067)	–	–	–
	38,427	25,067	(25,693)	–	–	–	37,801
Current assets							
Trade receivables	40,525	–					40,525
Rental receivables	–	5		(5)			–
Other receivables, deposits and prepayments	2,293	94	(55)	5			2,337
Investment in marketable securities	837	–					837
Contract assets	50,607	–					50,607
Bank deposits	2,052	–					2,052
Cash and cash equivalents	45,278	14	(106)		(86)	(3,206)	41,894
	141,592	113	(161)	–	(86)	(3,206)	138,252
Total assets	180,019	25,180	(25,854)	–	(86)	(3,206)	176,053

	The Group as at 31 October 2023	The Target Company as at 31 December 2023		Pro forma adjustments			The Enlarged Group as at 31 October 2023
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
EQUITY AND LIABILITIES							
Current liabilities							
Trade and retention payables	54,048	3,974	(3,973)				54,049
Other payables and accruals	7,359	1,448	(1,913)				6,894
Provisions	5,884	–					5,884
Contract liabilities	4,914	–					4,914
Lease liabilities	93	–					93
Borrowings	1,334	1,334	(1,334)				1,334
Income tax payable	1,245	12					1,257
	74,877	6,768	(7,220)	–	–	–	74,425
Net current assets	66,715	(6,655)	7,059	–	(86)	(3,206)	63,827
Non-current liabilities							
Retention payables	579	–					579
Other payables	2,524	5,150	(5,150)				2,524
Lease liabilities	151	–					151
Borrowings	14,374	14,152	(14,374)				14,152
	17,628	19,302	(19,524)	–	–	–	17,406
Total liabilities	92,505	26,070	(26,744)	–	–	–	91,831
Net assets	87,514	(890)	890	–	(86)	(3,206)	84,222

	The Group as at 31 October 2023	The Target Company as at 31 December 2023	Pro forma adjustments				The Enlarged Group as at 31 October 2023
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Equity attributable to owners of the Company							
Share capital	2,725	1,000	(1,000)				2,725
Share premium	69,777	–					69,777
Capital reserves	(26,972)	–				(3,642)	(30,614)
Equity contributions	–	403		(403)			–
Retained profits	42,420	(2,293)	1,890	403	(86)		42,334
	87,950	(890)	890	–	(86)	(3,642)	84,222
Non-controlling interests	(436)	–				436	–
Total equity	87,514	(890)	890	–	(86)	(3,206)	84,222
Total equity and liabilities	180,019	25,180	(25,854)	–	(86)	(3,206)	176,053

Notes:

1. Figures are extracted from the audited consolidated statement of financial position of the Group as at 31 October 2023 as set out in the annual report for the year ended 31 October 2023.

2. Figures are extracted from the audited statement of financial position of the Target Company as at 31 December 2023 as set out in Appendix II to this circular, which have been prepared under IFRSs and using accounting policies materially consistent with those of the Group.

3. The adjustment represents the exclusion of the assets, liabilities and equity of the Target Company as at 31 October 2023 from the audited consolidated statement of financial position of the Group to prevent double-counting, because the assets, liabilities and equity of the Target Company as at 31 December 2023 is added to the Unaudited Pro Forma Financial Information of the Enlarged Group, as detailed in note 2.

4. The reclassification adjustments represents reclassifications for certain accounts and balances to align with the classifications under the Group's presentation for its consolidated financial statements.

5. The adjustment is made to reflect the estimated transaction expenses, such as legal, accounting and other professional fees, of approximately $86,000 incurred directly attributable to the Acquisition.

6. The adjustment represents:

   (i) the consideration of approximately $3,206,000 for the Sale Shares I and Sale Shares II payable by HPC Builders upon completion of the Acquisition. For the purpose of this Unaudited Pro Forma Financial Information, the consideration is expected to be paid by cash in full on the Completion Date;

   (ii) the derecognition of the carrying value of non-controlling interest of the Target Company; and

   (iii) the difference between (i) and (ii) above amounting to approximately $3,642,000 is recognised in equity since the Target Company is a subsidiary of the Company both before and after the Acquisition. This amount may vary at the Completion.

7. Apart from the Acquisition and the adjustments mentioned above, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 October 2023.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of HPC Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of HPC Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") and Regal Haus Pte. Ltd. (the "**Target Company**") (collectively the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 October 2023 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-2 to IV-5 of the circular issued by the Company dated 8 April 2024 (the "**Circular**"), in connection with the proposed acquisition of 49% issued shares in the Target Company (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 October 2023 as if the Proposed Acquisition had taken place at 31 October 2023. As part of the process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 October 2023, on which an annual report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance and Related Services Engagements" which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 October 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants (Practising)

Wong Ka Bo, Jimmy
Practising Certificate Number: P07560
8 April 2024
24/F., Siu On Centre, 188 Lockhart Road,
Wanchai, Hong Kong

The following is the text of a valuation report received from RHT Valuation Pte. Ltd, an independent valuer, in relation to its valuation of the Property as at 31 December 2023, which has been prepared for the purpose of inclusion in this circular.

RHT Valuation Pte. Ltd.
10 Anson Road
#35-16 International Plaza
Singapore 079903
UEN No. 201812102Z

Tel. +65 6856 5173
Fax. +65 6722 0658
www.rhtrealestate.com

8 April 2024

HPC Holdings Limited
7 Kung Chong Road
Singapore 159144

Attn: Board of Directors

Dear Sir/Madam

VALUATION OF 7 KUNG CHONG ROAD, SINGAPORE 159144

1.0 Purpose of Valuation

In accordance with the instructions from HPC Holdings Limited (the "**Client**") to carry out the valuation of the subject property, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the subject property as at 31 December 2023 for public documentation purpose. This valuation report is provided subject to the assumptions, disclaimers, limitation, qualification detailed throughout this report and the limiting conditions herein.

2.0 Qualifications of Valuer

We confirm that the valuer who has undertaken this valuation:

a) is suitably qualified to carry out such valuations and has at least 25 years' appropriate experience and in particular has the necessary expertise and experience in valuing properties of this type and in the relevant area;

b) is not aware of any conflict of interest that would interfere with the valuer's ability to give an independent and professional valuation of the subject property; and

c) is not a related corporation of or has a relationship with the Client.

3.0 Inspection

The subject property was inspected on 31 December 2023 by Mr. David Ng and Ms. Eleen Chia, who are Singapore Licensed Appraiser.

4.0 Property Details

4.1 Type

A 7-storey single-user light industrial development with basement carpark and ancillary office

4.2 Land Area

1,623.4 sq. m. or 17,474 sq. ft.

4.3 Gross Floor Area

Approximately 4,050.8 sq. m. or 43,602 sq. ft., according to Grant of Written Permission of Singapore's Urban Redevelopment Authority dated 24 May 2022 and subject to survey

4.4 Age

We are given to understand that the subject property was completed in November 2023.

4.5 Condition

The subject property was in good condition as at the date of our inspection.

We have undertaken no structural or condition surveys. We advise that we have not inspected unexposed or inaccessible portions of the building and cannot therefore state that these are not free from rot, infest at ion or hazardous material.

We have also assumed that the buildings comply with all relevant statutory requirements in respect of health, building and fire safety regulations.

4.6 Orientation

Main entrance of the building faces north-east.

4.7 Encumbrances

The subject property is mortgaged to Maybank Singapore Limited.

5.0 Title and Tenure

5.1 Legal Description

Lot Nos. 00271M and 00272W Mukim 1

5.2 Tenure/Title

99 years leasehold with effect from 1 January 1958 (based on balance lease term of 34 years as at the material date of valuation)

5.3 Registered Proprietor(s)

Regal Haus Pte. Ltd.

6.0 Town Planning

Master Plan (2019) : Business 1 ("B1")

Note: According to The Planning Act Master Plan Written Statement 2019, B1 zones are areas used or intended to be used mainly for clean industry, light industry, public utilities, and telecommunication uses and other public installations for which the relevant authority does not impose a nuisance buffer greater than 50m. General industrial uses that are able to meet the nuisance buffer requirements imposed by the relevant authority for general industries may be allowed in the B1 zones, subject to evaluation by the relevant authority and the competent authority.

7.0 Location

The subject property is located along Kung Chong Road.

The immediate locality consists of mainly industrial developments and HDB flats. Prominent developments in the vicinity include Link (THM) Building, OC, SRS Building, AA Centre, Lum Chang Building and Bryton House, etc..

Educational Institutions in the vicinity include Bukit Merah Secondary School, Gan Eng Seng Primary School, Henderson Secondary School, Crescent Girls' School and Queenstown Secondary School, etc..

Amenities and facilities such as Queensway Shopping Centre, Anchorpoint Shopping Centre, IKEA Industrial Building, shops, markets, food centres, parks and community centres, etc. are located in the vicinity.

Public transport is readily available along Hoy Fatt Road and Leng Kee Road. The Redhill MRT Station is located a few bus stops away from the subject property.

Access to the city and other parts of Singapore is facilitated by the subject property's proximity to the Ayer Rajah Expressway.

8.0 The Subject Development

The subject property comprises a 7-storey single-user light industrial development with basement carpark and ancillary office erected on two contiguous plots of lands.

The site is generally enclosed by boundary brick walls with metal grilles.

The building is constructed of reinforced concrete frame with brick-in-fill/glass panel walls, reinforced concrete floors and roof.

Vertical access is provided by means of staircases and lifts.

9.0 Accommodation and Finishes

9.1 Accommodation

Basement

Carparking lots generally.

1st Storey

Reception lobby, show room, general office area, partitioned rooms, car parking lots and male/female toilets.

2nd Storey

General office area, partitioned rooms and male/female toilets.

3rd Storey

General office area, lobby area, warehousing area, open terrace/landscape and male/female toilets.

4th to 6th Storey

Reception area, lobby area, product design area, training rooms, warehousing area, open terrace/landscape and male/female toilets.

7th Storey

Lobby area, portioned office area, meeting rooms, sky terrace/landscape and male/female toilets.

9.2 Finishes

Floor

Granite/laminated timber/carpet/homogeneous tiles/ceramic tiles generally

Wall

Paint/feature wall/ceramic tiles generally

Ceiling

Paint/ false ceiling with downlights generally

9.3 Improvements

Fittings/Fixtures

Centralised/cassette air conditioners, cabinets, high/low cabinets with feature walls, shower screens, vanity tops with cabinets, aluminium frame windows/doors, timber doors and glass doors generally.

Others

Water pond, landscaped garden and basement carpark generally.

10.0 Tenancy Details

The subject property was tenanted to various tenants (including a subsidiary of the Client for Level 4 to 7) as at the date of inspection. According to the tenancy agreements provided, the total gross rental income is $185,000 per month and the details are:

Location	Term	Gross rent per month
Level 1 and 2	1 June 2023 to 31 May 2026	S$57,000/–
Level 3	1 February 2024 to 31 January 2027	S$18,000/–
Level 4 to 7	1 February 2023 to 30 April 2024	S$110,000/–
Total		S$185,000/–

11.0 Property Tax

The annual value of the subject property for 2023 is assessed at $913,000/– and property tax is payable at 10% per annum of the annual value.

12.0 Public Scheme(s)

The official Master Plan Zoning, Road/Drainage/MRT Interpretation Plans and other legal requisitions have not been applied for and/or made available to us.

13.0 Services

All main utilities and telecoms services are provided.

14.0 Method of Valuation

We have assessed the subject property by the Direct Comparison Method and Income Capitalisation Method. Each method is used as a check against the other.

Direct Comparison Method

In this method, a comparison is made with sales of similar properties in the vicinity and adjustments are made for differences in location, land area, land shape, floor area, floor loading, ceiling height, age, condition, tenure, design and layout, dates of transaction and the prevailing market conditions etc. before arriving at the value of the subject property.

Income Capitalisation Method

As the subject property is income generating, we have adopted the Income Capitalisation Method whereby the estimated annual net rental income of the subject property after deducting all necessary outgoings and expenses is capitalised at an appropriate rate of return to arrive at the market value. The adopted yield reflects the nature of the subject property, location, tenure, financial performance of the subject property, risk/quality of investment together with the prevailing property market condition.

15.0 Basis of Valuation

We have assessed the valuation on an As-Is Basis.

This valuation is determined on the basis that the subject property, the title thereto and its use is not affected by any matter other than that mentioned in this report.

In preparing this valuation, we have relied on information as provided by the Client. Should the information be changed subsequently or different upon final completion or survey, a revaluation may be necessary.

We have taken into account that effective for annual periods beginning after 1 December 2023, the Financial Reporting Standard requires entities to measure or disclose the fair value of assets and liabilities. The Financial Reporting Standard 113 Fair Value Measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We have taken into consideration the latest financial reporting standard and have regarded the existing use as the highest and best use, given the existing state of the property planning guidelines and in the absence of evidence to the contrary.

Our valuation is conducted according to the Singapore Institute of Surveyors and Valuers guidelines and International Valuation Standards which supports the definition of market value as follows:

The term "Open Market Value" is intended to mean the best price at which an interest in a property might reasonably be expected to be sold at the date of valuation assuming: -

a) a willing seller and willing buyer;

b) a reasonable period within which to negotiate the sale, taking into consideration the nature of the property and state of the market;

c) the property will be freely exposed to the market for a reasonable period of time; and

d) no account is to be taken of an additional bid by a special purchaser.

Our valuation has been made on the assumptions that the owner sells the subject property in the open market as at 31 December 2023 in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the market value of the subject property. We are not instructed to assess the redevelopment potential of the subject property and thus it is not considered in this valuation.

No account has been taken of any option or right of pre-emption concerning or affecting the sale of the subject property. No allowance has been made in our valuation for any charges, mortgages or amounts owing on the subject property nor for any expenses or taxation which may be incurred in effecting a sale.

Unless otherwise stated, we have assumed that the subject property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the market value of the subject property and the owner has absolute title to the subject property.

Unless otherwise stated, the subject property is valued on the basis of 100% attributable interest. It is assumed that the owner of the subject property has free and uninterrupted rights to occupy and use the subject property during the whole of the remaining land lease term.

16.0 Valuation

With due regard to the foregoing and taking into consideration the current market conditions and other relevant factors, we are of the opinion that the value of the subject property on an As-Is basis, based on unexpired leasehold interest of 34 years, with vacant possession and free from encumbrances, is as follows:

Open Market Value : S$32,500,000/–
(SINGAPORE DOLLARS THIRTY TWO MILLION AND FIVE HUNDRED THOUSAND ONLY)

Yours faithfully,
On and Behalf of
RHT Valuation Pte. Ltd.

David Ng
License No: AD041-2005203B

Eleen Chia
Licence No: AD041-2008566C

Enclosures:
Limiting Conditions

LIMITING CONDITIONS

This valuation report has been prepared subject to the following limiting conditions: -

1. This report is restricted to the use of our client or person(s) to whom this report is specifically to and for the specific purpose stated therein and to be used within a reasonable time. We disclaim any liability should it be used by other person(s) or for any other purpose(s) or beyond a reasonable time.

2. Neither the whole or any part of this report or any reference to it may be included in any document, circular or statement or be published in any way without our prior written consent to the form and context in which it may appear. We shall bear no responsibility for any unauthorised inclusion or publication.

3. The valuer accepts no liability if his opinion is quoted without regard to the full background of the reason why this report is written.

4. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

5. The values assessed in this report for the subject property and any allocation of values between parts of the subject property applies strictly on the terms of and for the purpose of this valuation. The values assessed should not be used in conjunction with any other assessment as they may prove incorrect if so used.

6. Where it is stated in this report that information has been made known to the valuer by another party or obtained by the valuer from any enquiries, searches or investigations made from any government or statutory bodies, this information is believed to be reliable and he disclaims all responsibility if this should later prove not to be so.

7. Unless otherwise instructed, we do not normally carry out requisitions with the various public authorities to confirm that the subject property is not adversely affected by any public schemes. No requisition on road or drainage proposals has been made.

8. While due care is taken in the course of inspection to note serious building defects, no structural survey has been made and no guarantee is given that the building is free from rot, infestations or other hidden defects. We have also not made any tests on the building services and these services are presumed to be in good working order.

9. Our valuation assumes that as at the date of valuation, the subject property is free and clear of all mortgages, encumbrances and other outstanding premiums, charges and liabilities.

10. The title to the subject property is presumed to be good and marketable and, unless mentioned in this report, be free from any encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title, searches and requisitions and other such legal matters.

11. Our valuation presumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.

12. Any sketch, plan or map in this report is for identification purpose only and should not be treated as certified copies of areas or other particulars contained therein.

13. Where information is given without reference to another party in this report, it shall be taken that this information has been obtained or gathered through our best efforts and to our best knowledge.

14. This report was prepared on the basis that we are not required to give testimony or appear in court or any other tribunal or to any government agency by reason of this report or with reference to the subject property in question unless prior arrangements have been made and we be properly reimbursed.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate Long Positions in the Shares

Name of the Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of issued Shares (Note 3)
Mr. Wang	Interest of controlled corporation (Note 1)	660,000,000	41.25%
Mr. Shi	Interest of controlled corporation (Note 2)	540,000,000	33.75%

Notes:

1. These 660,000,000 Shares were held by Tower Point, which is wholly and beneficially owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in the Shares held by Tower Point by virtue of SFO.

2. These 540,000,000 shares were held by Creative Value, which is wholly and beneficially owned by Mr. Shi. Accordingly, Mr. Shi is deemed to be interested in the Shares held by Creative Value by virtue of SFO.

3. The approximate percentage of issued Shares is based on a total of 1,600,000,000 Shares as at the Latest Practicable Date.

Aggregate Long Positions in the Shares of the Associated Corporation

Name of the associated corporation	Name of the Director	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of issued shares of the associated corporation (Note 2)
Regal Haus (Note 1)	Mr. Wang	Beneficial Owner	269,500	26.95%
	Mr. Shi	Beneficial Owner	220,500	22.05%

Notes:

1. Regal Haus is a 51%-owned subsidiary of the Company and an associated corporation (within the meaning of Part XV of the SFO).

2. The approximate percentage of issued shares of Regal Haus is based on a total of 1,000,000 shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, so far as it is known to the Directors and the chief executives of the Company, the interests and short positions of the persons, other than the Directors and the chief executives of the Company, and corporations in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Aggregate Long Positions in the Shares

Name of the substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of issued Shares (Note 3)
Tower Point	Beneficial owner (Note 1)	660,000,000	41.25%
Creative Value	Beneficial owner (Note 2)	540,000,000	33.75%

Notes:

1. Tower Point is wholly and beneficially owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in the Shares held by Tower Point by virtue of SFO.

2. Creative Value is wholly and beneficially owned by Mr. Shi. Accordingly, Mr. Shi is deemed to be interested in the Shares held by Creative Value by virtue of SFO.

3. The approximate percentage of issued Shares is based on a total of 1,600,000,000 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as it is known to the Directors and the chief executives of the Company, no person, other than the Directors and the chief executives of the Company, or corporation had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

3. DIRECTORS' POSITIONS HELD IN COMPANIES HAVING DISCLOSEABLE INTERESTS

Mr. Wang is the sole director of Tower Point and Mr. Shi is the sole director of Creative Value.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business apart from the Group's business which competed or was likely to compete, either directly or indirectly, with the Group's business.

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND ARRANGEMENTS

Saved as disclosed above, as at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any asset which had been, since 31 October 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(b) none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular and which was significant in relation to the business of the Enlarged Group.

7. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the names and qualifications of the experts who have given their reports, opinions and advices which are included in this circular:

Name	Qualification
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants
Vinco Financial Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO
RHT Valuation Pte. Ltd.	Independent Valuer

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its report and/or letter of advice and the references to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts above had any interest, direct or indirect, in any asset which had been, since 31 October 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 October 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claim of material importance, and so far as the Directors were aware of, no litigation or claims of material importance was pending or threatened against any member of the Enlarged Group.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by any member of the Enlarged Group within the two years immediately preceding the issue of this circular and were or might be material:

(a) the option to purchase dated 25 April 2022 with terms set up and offered by HPC Builders (as vendor) to Hup Leong Hardware Industry Co. (as purchaser), which accepted the said option on 9 May 2022, in respect of the sale and purchase of the property located at 56 Loyang Way, #01-08 Loyang Enterprise Building, Singapore 508775 at the total cash consideration of S$1,850,000.00, details of which are disclosed in the announcement of the Company dated 10 May 2022 and the supplemental announcement of the Company dated 1 June 2022;

(b) the option to purchase dated 18 July 2022 with terms set up and offered by HPC Builders (as vendor) to Mr. Wong Mun Summ (as purchaser), who accepted the said option on 18 July 2022, in respect of the sale and purchase of the property located at 211 Henderson Road #02-01 Singapore 159552 at the total cash consideration of S$3,920,106.00, details of which are disclosed in the announcement of the Company dated 18 July 2022;

(c) the lease offer dated 30 June 2023 issued by JTC Corporation (as lessor) to DHC Construction (as lessee), which accepted the said offer on 5 July 2023, in respect of the lease of a piece of leasehold industrial land held under Private Lot No.7016738, also known as Government Survey Lot No.01942N Mukim MK07, and situated at 5 Tuas Basin Link, Singapore 638759 with a land area of approximately 4,508.20 sq. m. and a standalone factory with a gross floor area of approximately 2,144.38 sq. m. erected thereon for a tenure of 20 years from 19 September 2023 at the tendered premises premium of S$5,535,000.00 (exclusive of prevailing goods and services tax chargeable under the Goods and Services Tax Act, Chapter 117A Laws of Singapore), details of which are disclosed in the announcement of the Company dated 4 July 2023 and the circular of the Company dated 22 September 2023; and

(d) the Agreement, details of which are contained in this circular.

11. MISCELLANEOUS

(a) The registered office of the Company in the Cayman Islands is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The headquarter and the principal place of business of the Company in Singapore is situated at 7 Kung Chong Road, HPC Building, Singapore 159144.

(c) The principal place of business of the Company in Hong Kong is situated at 31/F., 148 Electric Road, North Point, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

(e) Mr. Zhang Jie, who is a Chartered Accountant of Singapore and a member of the Institute of Singapore Chartered Accountants, and Ms. Tung Wing Yee Winnie, who is a fellow member of The Hong Kong Institute of Certified Public Accountants and a Fellow Certified Practising Accountant of the CPA Australia, are the joint company secretary of the Company.

(f) In the case of inconsistency, the English text of this circular shall prevail over its Chinese text.

12. ACQUISITION

Save as disclosed in this circular, subsequent to 31 October 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, none of the members of the Enlarged Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Group.

Save as disclosed in this circular, the aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Acquisition.

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.hpc.sg) for a period of 14 days from the date of this circular:

1. the Agreement;

2. the letter from the Independent Financial Adviser prepared by Vinco Financial, the text of which is set out in the section headed "Letter from Vinco Financial" of this circular;

3. the accountants' report of Regal Haus prepared by McMillan Woods (Hong Kong) CPA Limited, the text of which is set out in Appendix II to this circular;

4. the report of the unaudited pro forma financial information of the Enlarged Group prepared by McMillan Woods (Hong Kong) CPA Limited, the text of which is set out in Appendix IV to this circular;

5. the valuation report of the Property prepared by RHT Valuation Pte. Ltd., the text of which is set out in Appendix V to this circular;

6. the written consents referred to in the section headed "Experts' Qualifications and Consents" of this appendix;

7. the material contracts referred to in the section headed "Material Contracts" of this appendix;

8. the memorandum and articles of association of the Company;

9. the annual reports of the Company for the financial years ended 31 October 2021, 2022 and 2023;

10. this circular.

HPC Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1742)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of HPC Holdings Limited (the "**Company**") will be held at 7 Kung Chong Road, HPC BUILDING, Singapore 159144 on Tuesday, 30 April 2024 at 09:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. To receive, consider and approve the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditors for the year ended 31 October 2023.

2. (A) To re-elect Mr. Wang Yingde as an executive director of the Company; and

   (B) To authorise the board of directors of the Company (the "**Board**") to fix the remuneration of the directors of the Company.

3. To elect Ms. Chen Liping as an independent non-executive director of the Company.

4. To re-appoint McMillan Woods (Hong Kong) CPA Limited as auditor of the Company and to authorize the Board to fix its remuneration.

5. To consider and, if thought fit, to pass (with or without amendments) the following resolutions as ordinary resolutions:

   (A) "**That**:

   (i) subject to paragraph (iii) below, the exercise by the directors of the Company (the "**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for shares or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of the Company) which may require the exercise of such powers be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;

(iii) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors during the Relevant Period (as hereinafter defined) pursuant to paragraph (i) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined); or (2) the grant or exercise of any option under the option scheme of the Company or any other option, scheme or similar arrangements for the time being adopted for the grant or issue to the Directors, officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (3) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (4) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed the aggregate of 20% of the total number of issued shares of the Company as at the date of passing this resolution and the said approval shall be limited accordingly;

(iv) for the purpose of this resolution:

(a) "**Relevant Period**" means the period from the passing of this resolution until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of the Company, unless renewed by an ordinary resolution of the shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law of the Cayman Islands to be held; or

(3) the revocation, variation or renewal of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

(b) "**Rights Issue**" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company)."

(B) "**That**:

(i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Code on Share Buy-backs and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), be and is hereby generally and unconditionally approved;

(ii) the aggregate number of shares of the Company, which may be repurchased pursuant to the approval in paragraph (i) above shall not exceed 10% of the total number of issued shares of the Company as at the date of passing of this resolution, and the said approval shall be limited accordingly;

(iii) subject to the passing of each of the paragraphs (i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (i) and (ii) of this resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

(iv) for the purpose of this resolution:

"**Relevant Period**" means the period from the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company, unless renewed by an ordinary resolution of the shareholders in a general meeting, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law of the Cayman Islands to be held; or

(c) the revocation, variation or renewal of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "**That** conditional upon the resolutions numbered 5(A) and 5(B) set out in the notice convening this meeting being passed, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to the ordinary resolution numbered 5(A) set out in the notice convening this meeting be and is hereby extended by the addition thereto of such number of shares of the Company repurchased by the Company under the authority granted pursuant to ordinary resolution numbered 5(B) set out in the notice convening this meeting, provided that such amount of shares of the Company shall not exceed 10% of the total number of issued shares of the Company at the date of passing of the said resolutions."

6. To consider and, if thought fit, to pass (with or without amendments) the following resolution as ordinary resolution (capitalised terms used in this resolution shall have the same meanings as those defined in the circular of the Company dated 8 April 2024 in relation to, among others, major and connected transaction – acquisition of the remaining 49% equity interest in Regal Haus (the "**Acquisition Circular**")):

"**That**:

(A) the Agreement and the Acquisition be and are hereby ratified, confirmed and approved; and

(B) any one or more Directors be and is/are hereby authorised to, for and on behalf of the Company and/or HPC Builders, do all such acts and things, sign and execute all such agreements, instruments, documents and deeds and make all such arrangements as he/they may in his/their absolute discretion consider necessary, desirable or expedient for the purpose of giving effect to and in connection with the Agreement and the transactions contemplated thereunder, and to make and agree to such variations, amendments or waivers of matters relating thereto, as are, in the opinion of the Directors, in the interests of the Company and the Shareholders as a whole."

Yours faithfully
By order of the Board
HPC Holdings Limited
Wang Yingde
Chairman & Chief Executive Officer

8 April 2024

Registered office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
31/F.,
148 Electric Road,
North Point,
Hong Kong

Notes:

(i) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.

(ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

(iii) In order to be valid, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. by 09:30 a.m. on Sunday, 28 April 2024) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(iv) The transfer books and register of members will be closed from Thursday, 25 April 2024 to Tuesday, 30 April 2024, both days inclusive to determine the entitlement of the shareholders of the Company to attend the above meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 24 April 2024.

(v) For details regarding ordinary resolutions numbered 1 to 5 above (if applicable), please refer to the circular of the Company dated 8 April 2024 in relation to, among others, proposals for general mandates to issue shares and repurchase shares, re-election of retiring Director and election of independent non-executive Director (the "**Mandate Circular**"). For details regarding ordinary resolution numbered 6 above, please refer to the Acquisition Circular.

(vi) In respect of ordinary resolution numbered 2 above, Mr. Wang Yingde shall retire and being eligible, has offered himself for re-election at the above meeting. Details of the above retiring Director are set out in Appendix I to the Mandate Circular.

(vii) In respect of ordinary resolution numbered 3 above, Ms. Chen Liping will be proposed to be elected as an independent non-executive Director at the above meeting. Details of the above proposed Director are set out in Appendix II to the Mandate Circular.

(viii) In respect of ordinary resolution numbered 5(B) above, the Directors wish to state that they will exercise the powers conferred by the general mandate to repurchase shares of the Company in circumstances where they consider that the repurchase would be in the best interest of the Company and its shareholders. An explanatory statement containing the information necessary to enable shareholders of the Company to make an informed decision on whether to vote for or against the resolution to approve the general mandate to repurchase shares of the Company, as required by the Listing Rules, is set out in Appendix III to the Mandate Circular.

(ix) Shareholders who attend the above meeting shall bear their own travelling expenses.