



HPC HOLDINGS LIMITED

HKEX 1742 (Incorporated in the Cayman Islands with limited liability)



INTERIM REPORT
2023/2024

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CORPORATE INFORMATION

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,
Level 6
Singapore 159144

Principal Place of Business in Hong Kong

31/F., 148 Electric Road,
North Point, Hong Kong

List of Directors and Their Roles & Functions

Executive Directors

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

Independent non-executive Directors

Mr. Leung Wai Yip
Mr. Gng Hoon Liang
Ms. Chen Liping
(appointed on 30 April 2024)
Mr. Zhu Dong *(retired on 30 April 2024)*

Audit Committee

Mr. Leung Wai Yip *(Chairman)*
Mr. Gng Hoon Liang
Ms. Chen Liping
(appointed on 30 April 2024)
Mr. Zhu Dong *(retired on 30 April 2024)*

Remuneration Committee

Mr. Gng Hoon Liang *(Chairman)*
Mr. Wang Yingde
Ms. Chen Liping
(appointed on 30 April 2024)
Mr. Zhu Dong *(Chairman)*
(retired on 30 April 2024)

Nomination Committee

Mr. Wang Yingde *(Chairman)*
Mr. Gng Hoon Liang
Ms. Chen Liping
(appointed on 30 April 2024)
Mr. Zhu Dong *(retired on 30 April 2024)*

CORPORATE INFORMATION

Joint Company Secretaries

Ms. Tung Wing Yee Winnie
Mr. Zhang Jie

Authorised Representatives

Mr. Wang Yingde
Mr. Zhang Jie

Auditor

McMillan Woods (Hong Kong) CPA Limited

Principal Banks

United Overseas Bank Limited
80 Raffles Place, UOB Plaza
Singapore 048624

DBS Bank Ltd.
12 Marina Boulevard,
Marina Bay, Financial Center Tower 3,
Singapore 018982

Maybank Singapore Limited
Maybank Tower #16-01
2 Battery Road
Singapore 049907

Hong Kong Branch Share Register and Transfer Office

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F., 148 Electric Road
North Point, Hong Kong

Company's Website

www.hpc.sg

Stock Code

1742

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of HPC Holdings Limited (the “**Company**”) announces its unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 April 2024 (the “**Interim Period**”) together with the comparative figures for the corresponding period in 2023 (the “**Previous Period**”).

BUSINESS REVIEW

In the first half year of 2024, Singapore’s construction market is still competitive, the public sector is more active and demanding compared with the private sector in 1st Quarter to 2nd Quarter, construction prices are more volatile compared with 2023. Most of the building materials and subcontractors’ prices are increasing due to global inflation, regional conflicts such as Russia-Ukraine war, Israel-Hamas war, and geopolitical tension between China and the United States; but main contractors’ bidding prices in construction market are in the down trend direction and projects’ bidding prices become more challenging. One of the main reasons causing the projects’ bidding price down is a few mega projects are called and calling tenders from 1st Quarter to 3rd Quarter of 2024.

With the above headwinds, the Group’s tender pricing strategy is prudent in the current intense bidding price competition. In 2024, the Group managed to secure one new project from the Management Development Institute of Singapore (MDIS), awarded in May 2024, with a contract sum of S\$39.393 million. Despite the fierce competition, with the newly awarded projects, the Group still managed to sustain a healthy order book value at approximately S\$312 million as of 30 April 2024.

Currently, the Group has 8 ongoing projects i.e., (1) HDB – 786 Build To Order (“**BTO**”) units at Tengah Garden C6; (2) Global Indian International School; (3) Pilot Mechanical Biological Treatment Plant; (4) Tiong Nam Warehouse; (5) 271BP corporate office building (11 storeys and 2 levels basement); (6) Chasen high-tech industrial building; (7) JTC Loyang North Substation; and (8) MDIS – 5 storey with 2 basement floors of commercial school. Where Global Indian International School, will be delivered by 2nd Quarter of 2024, Pilot Mechanical Biological Treatment Plant will be delivered by 3rd Quarter of 2024, and Tiong Nam Warehouse and HDB – 786 BTO units will be delivered by the 4th Quarter of 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's construction activities were declined during this Interim Period, mainly due to a large project with tight schedule was completed in last year and most of the ongoing projects were still in the early stages. However, the market was more stable as compared to the Previous Period, therefore, the gross margin was gradually raising as expected.

Revenue and Gross Profit

The Group's revenue dropped by 48.21% for the six months ended 30 April 2024 as compared with the six months ended 30 April 2023 from approximately S\$167.73 million to approximately S\$86.86 million. Revenue fell as a result of major ongoing projects were mostly still at their early stages, therefore, less construction activities during the Interim Period comparing with the Previous Period which one large project with tight schedule fell in.

As a result, gross profit of the Group also decreased from approximately S\$3.90 million for the six months ended 30 April 2023 to S\$3.22 million for the six months ended 30 April 2024, representing an approximately 17.44% drop of profit. However, due to relatively stable post-COVID market as compared to the Previous Period, gross profit margin of the Group's construction business whereby raised to 3.7% of the Interim Period compared with 2.32% of the Previous Period.

Other Income

Other income of the Group for the six months ended 30 April 2024 was approximately S\$1.46 million, it was lowered by approximately S\$580 thousand as compared to the Previous Period. Primarily, it was due to there was write off of some retention payables to subcontractors in this Interim Period like the Previous Period did.

Administrative Expenses

The administrative expenses of the Group generally remained at the same level as the Previous Period with minimum difference.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

The Group's income tax expense was approximately S\$711 thousand for this Interim Period, effective interest rate is higher than the statutory rate due to tax effect of the reverse of prior year provision for onerous contracts.

Profit after Tax

As a result of the combined effects mentioned above, the Group recorded a net profit after tax at approximately S\$644 thousand for the Interim Period, approximately a 66.74% decline from approximately S\$1.94 million of the Previous Period.

Dividends

The Company did not declare any dividend during the Interim Period and the Company does not recommend an interim dividend for the six months ended 30 April 2024.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Liquidity

The Group's business operations depend on the sufficiency of working capital and effective cost management, in particular, competitive prices from subcontractors and suppliers as well as effective management of foreign workforce. The Group's primary uses of cash are payments to subcontractors, suppliers and manpower cost. The Group had been depending on its internal generated funds to fund its working capital needs in the past, however, with consistently lower interest rate in the current economy, the Group has started to gradually introduce low risk loan financing to the capital structure in order to achieve the optimum cost of capital. With proven track record in costs management coupled with the local regulation on construction works settlements, the Group is not expected to face any liquidity issues.

The current ratios (defined as total current assets divided by total current liabilities) of the Group were 2.15 and 1.89 as at 30 April 2024 and 31 October 2023, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and Gearing

The Group's borrowings relate to certain finance lease obligations obtained through the acquisition of motor vehicles and there were term loans and shareholders loans for land purchase and redevelopment of an industrial building on the land purchased on 7 Kung Chong Road of Singapore.

The gearing ratios (defined as total borrowings divided by total equity) of the Group were 20.91% and 21.10% as at 30 April 2024 and 31 October 2023 respectively and the decrease in gearing ratio was mainly due to the progressive repayment of the loan to finance the redevelopment project at 7 Kung Chong Road of Singapore.

Foreign Exchange Exposure

Most of the Group's income and expenditures are denominated in Singapore dollars, being the functional currency of the Group, and hence, the Group does not have any material foreign exchange exposures except a few listing compliance transactions in Hong Kong Dollars.

As the Group's normal operations' foreign exchange exposure is minimal, the Group does not use any hedging facilities. All foreign transactions are entered into at spot rate.

Mortgage or Charges on Group's Assets

As at 30 April 2024, the acquired land was mortgaged to secure the Group's bank loan. Besides, one of the subsidiaries of the Company, HPC Builders Pte Ltd. was also charged to the same bank for the same project as additional security. Other than that, only motor vehicles were acquired via finance leases.

Contingent Liabilities and Financial Guarantees

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

As at 30 April 2024, saved as disclosed in the paragraph headed "Mortgage or Charges on Group's Assets", there was no financial guarantee granted in favor of third party of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure and Capital Commitments

For the Interim Period, the Group's incurred capital expenditures were mainly on the acquisition of motor vehicles, some construction equipment and fixtures.

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

On 5 February 2024, Mr. Wang Yingde, Mr. Shi Jianhua and HPC Builders Pte Ltd ("**HPC Builders**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement, pursuant to which Mr. Wang Yingde and Mr. Shi Jianhua had conditionally agreed to sell, and HPC Builders had conditionally agreed to purchase, the sale shares, representing 49.00% of the entire equity interest in Regal Haus Pte Ltd ("**Regal Haus**"), at the total consideration of S\$3,206,250.00.

On 30 April 2024, the deal was approved in the annual general meeting by independent shareholders of the Company.

EVENT OCCURRING AFTER THE REPORTING PERIOD

On 31 May 2024, Apollo Aquaculture Group Private Limited ("**Apollo Aquaculture**"), HPC Builders, an indirect wholly-owned subsidiary of the Company and Aquachamp Pte. Ltd. entered into a sale and purchase agreement, pursuant to which Apollo Aquaculture has conditionally agreed to sell, and HPC Builders has conditionally agreed to purchase, 804,162 ordinary shares in the share capital of Apollo Aquarium Pte. Ltd. ("**Apollo Aquarium**"), representing 70% of the entire equity interest in Apollo Aquarium, at the total consideration in the sum of not more than S\$3,500,000 (the "**Acquisition**").

Upon the completion of the Acquisition, Apollo Aquarium will become an indirect non-wholly-owned subsidiary of the Company and the financial results of Apollo Aquarium will be consolidated in the consolidated financial statements of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 30 April 2024, the Group had 857 employees including foreign workers.

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

Total staff costs including Directors' emoluments amounted to approximately S\$15.1 million (2023: S\$13.9 million) for the six months ended 30 April 2024.

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

PROSPECTS

The Building and Construction Authority (BCA) projected the demand in the sector in 2024 to range between S\$32 billion to S\$38 billion leading to an output of S\$34 billion to S\$37 billion. The demand for the private sector is projected to be at S\$14 billion to S\$17 billion for 2024. These demands are expected out of residential projects, redevelopment in commercial premises and from industry-based facilities as well. The public sector in 2024 is expected to reach a demand of S\$18 billion to S\$21 billion generated through public housing and allied infrastructure projects from Housing and Development Board's (HDB) new Built-To-Order (BTO), infrastructure works for the future Changi Airport Terminal 5 (T5), additional Cross Island MRT Line contracts (Phase 2) and Tuas Port developments along with other major road enhancement and drainage improvement works.

MANAGEMENT DISCUSSION AND ANALYSIS

With the coming completion of Global Indian International School by 2nd Quarter of 2024, Pilot Mechanical Biological Treatment Plant by 3rd Quarter of 2024, Tiong Nam warehouse and HDB – 786 BTO units by 4th Quarter of 2024, the Group makes a remarkable achievement, and this brings the reputation for the Group to further explore in institutional projects, MDIS project. Besides, the Group also works together with developers for coming “Build to Suit” projects by optimizing the land use and introducing location advantage to improve the efficiency of such facilities. The Group has completed North London Collegiate School in 2021 and Global Indian International School is on the coming completion in 2nd 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\$312 million as of 30 April 2024, which will allow the Group to have more time to select better projects in the coming months to achieve sustainable growth instead of tendering aggressively. The management shall work positively to ensure the Group is able to sail through these volatile and intensely competitive markets and to excel further.

SHARE OPTION SCHEME

The Group has adopted a share option scheme pursuant to which the Company may grant options to eligible persons. The maximum number of shares which may be issued upon exercise of all options to be granted under the scheme and any other schemes of the Group shall not in aggregate exceed 160,000,000 shares, being 10% of the Company’s shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”) on 11 May 2018.

No share options were granted, exercised, cancelled, lapsed or outstanding for the six months ended 30 April 2024.

As at 1 October 2023 and up to the date of this interim report, the total number of shares available for issue under the share option scheme was 160,000,000 shares, which represent approximately 10% of the Company’s issued share capital.

CORPORATE GOVERNANCE AND OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in the Appendix C3 of the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”) as code of conduct regarding directors’ securities transactions. Having made specific enquiry, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 April 2024.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to the shareholders of the Company (“**Shareholders**”) and protecting and enhancing the Shareholders’ value through good corporate governance. The Directors recognize the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

The Company has adopted and complied with all the mandatory disclosure requirements and the applicable code provisions as set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 of the Listing Rules during the interim period with the exception of code provisions C.1.6 and C.2.1.

Under the code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Zhu Dong, the former independent non-executive Director of the Company, was unable to attend the annual general meeting of the Company held on 30 April 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive shall be separated and shall not be performed by the same individual. Mr. Wang Yingde currently holds both positions. Throughout the business history, Mr. Wang Yingde has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including independent non-executive Directors) consider that Mr. Wang Yingde is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 19 April 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee was further updated on 15 December 2023 and are published on the respective websites of the SEHK and the Company. Currently, it comprised of three independent non-executive Directors, namely, Mr. Leung Wai Yip (Chairman), Mr. Gng Hoon Liang and Ms. Chen Liping.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control procedures and financial reporting matters including the review of the Group’s financial results for the Interim Period. The Audit Committee is of the view that the unaudited interim consolidated financial statements for the six months ended 30 April 2024 have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

The unaudited interim condensed consolidated financial statements for the Interim Period are reviewed by the Audit Committee.

The Company’s auditor, McMillan Woods (Hong Kong) CPA limited, has reviewed the unaudited interim financial information of the Group for the six months ended 30 April 2024 in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

CORPORATE GOVERNANCE AND OTHER INFORMATION

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the SEHK on 11 May 2018 (the “**Listing**”). Net proceeds arising from the Listing amounted to approximately HK\$124.4 million. The percentage of net proceeds was allocated in accordance with the proposed proportion in the prospectus of the Company dated 27 April 2018 (the “**Prospectus**”). As at 30 April 2024, the use of the net proceeds was as follows:

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

As at 30 April 2024, the Group has fully utilised the net proceeds from Listing in accordance with the intended plan and purposes as outlined in the “Future Plans and Use of Proceeds” in the Prospectus.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 April 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which would have to be notified to the Company and the SEHK under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which would be required pursuant to section 352 of the SFO to be entered in the register as referred to therein, or otherwise required to be notified to the Company and the SEHK pursuant to Model Code, are as follows:

Interests in the Company

Name of Director	Capacity/ nature of interest	Number of Shares held	Long position/ short position	Approximately percentage of shares in issue <i>(Note (iii))</i>
Mr. Wang Yingde	Interest in controlled operation <i>(Note (i))</i>	660,000,000	Long position	41.25%
Mr. Shi Jianhua	Interest in controlled operation <i>(Note (ii))</i>	540,000,000	Long position	33.75%

Notes:

- (i) The 660,000,000 shares are held by Tower Point Global Limited (“**Tower Point**”), which is wholly and beneficially owned by Mr. Wang Yingde. By virtue of the SFO, Mr. Wang Yingde is deemed to be interested in all the shares held by Tower Point.
- (ii) The 540,000,000 shares are held by Creative Value Investments Limited (“**Creative Value**”), which is wholly and beneficially owned by Mr. Shi Jianhua. By virtue of the SFO, Mr. Shi Jianhua is deemed to be interested in all the shares held by Creative Value.
- (iii) Based on a total of 1,600,000,000 shares of the Company as at 30 April 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 April 2024, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the SEHK.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 April 2024, so far as is known to any Director or chief executive of the Company, the persons (other than Director or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Interests in the Company

Name of Shareholder	Capacity/ nature of interest	Number of shares held	Long position/ short position	Approximately percentage of shares in issue <i>(Note (iii))</i>
Tower Point	Beneficial owner <i>(Note (i))</i>	660,000,000	Long position	41.25%
Creative Value	Beneficial owner <i>(Note (ii))</i>	540,000,000	Long position	33.75%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (i) The 660,000,000 shares are held by Tower Point, which is wholly and beneficially owned by Mr. Wang Yingde, the executive Director of the Company.
- (ii) The 540,000,000 shares are held by Creative Value, which is wholly and beneficially owned by Mr. Shi Jianhua, the executive Director of the Company.
- (iii) Based on a total of 1,600,000,000 shares of the Company as at 30 April 2024.

Save as disclosed above, as at 30 April 2024, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

During the Interim Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2024

To the Members of HPC Holdings Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of HPC Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) which comprise the interim condensed consolidated statement of financial position as at 30 April 2024 and the interim condensed consolidated statements of comprehensive income, changes in equity, and cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”). The directors of the Company are responsible for the preparation and presentation of these interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2024

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Wong Ka Bo, Jimmy

Audit Engagement Director

Practicing Certificate Number P07560

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

28 June 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 April 2024

Six months ended 30 April			
	<i>Notes</i>	2024 \$'000 (Unaudited)	2023 \$'000 (Unaudited)
Revenue	4	86,859	167,725
Cost of sales		(83,643)	(163,827)
Gross profit		3,216	3,898
Other operating income	4	1,459	2,151
Administrative expenses		(3,580)	(3,562)
Other income, net		187	12
Finance income		449	137
Finance costs		(376)	(262)
Profit before tax	5	1,355	2,374
Income tax (expense)/credit	6	(711)	(437)
Profit for the period, representing total comprehensive income for the period		644	1,937
Total comprehensive income attributable to:			
Owners of the Company		644	2,131
Non-controlling interests		–	(194)
		644	1,937
Earnings per share for profit attributable to owners of the Company			
– Basic (expressed in Singapore cents per share)	7	0.04	0.13
– Diluted (expressed in Singapore cents per share)	7	0.04	0.13

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 April 2024

		Group	
		30 April 2024	31 October 2023
<i>Notes</i>		\$'000 (Unaudited)	\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	33,169	34,099
Deferred tax assets	3	3,784	4,328
Retention receivables	10	2,043	–
		38,996	38,427
Current assets			
Trade receivables	10	25,364	40,525
Other receivables, deposits and prepayments	11	3,125	2,293
Contract assets	12	47,293	50,607
Investment in marketable securities	13	926	837
Bank deposit		2,089	2,052
Cash and cash equivalents	14	40,378	45,278
		119,175	141,592
Total assets		158,171	180,019
EQUITY AND LIABILITIES			
Current liabilities			
Trade and retention payables	15	44,708	54,048
Other payables and accruals	15	4,786	7,359
Provisions	17	2,395	5,884
Contract liabilities	12	1,832	4,914
Lease liabilities	16	91	93
Borrowings	18	1,334	1,334
Current income tax payable		229	1,245
		55,375	74,877
Net current assets		63,800	66,715

INTERIM CONDENSED CONSOLIDATED
BALANCE SHEET (CONTINUED)

As at 30 April 2024

		Group	
		30 April 2024	31 October 2023
<i>Notes</i>		\$'000 (Unaudited)	\$'000 (audited)
Non-current liabilities			
Retention payables	15	1,518	579
Other payables	15	2,524	2,524
Lease liabilities	16	105	151
Borrowings	18	13,707	14,374
		17,854	17,628
Total liabilities		73,229	92,505
Equity attributable to owners of the Company			
Share capital	19	2,725	2,725
Share premium	19	69,777	69,777
Capital reserves	20	(30,188)	(26,972)
Retained profits		42,628	42,420
		84,942	87,950
Non-controlling interests		–	(436)
Total equity		84,942	87,514
Total equity and liabilities		158,171	180,019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 April 2024

Attributable to owners of the Company							
	Share capital	Share premium	Capital reserves	Retained profits	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group							
At 1 November 2022 (audited)	2,725	69,777	(26,972)	39,022	84,552	(140)	84,412
Profit for the period, representing total comprehensive income for the period	-	-	-	2,131	2,131	(194)	1,937
At 30 April 2023 (unaudited)	2,725	69,777	(26,972)	41,153	86,683	(334)	86,349
At 1 November 2023 (audited)							
Profit for the period, representing total comprehensive income for the period	-	-	-	644	644	-	644
Acquisition of non-controlling interests	-	-	(3,216)	(436)	(3,652)	436	(3,216)
At 30 April 2024 (unaudited)	2,725	69,777	(30,188)	42,628	84,942	-	84,942

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended 30 April 2024

	Six months ended 30 April	
	2024	2023
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit/(loss) before tax	1,355	2,374
Adjustments for:		
Depreciation of property, plant and equipment	936	644
Depreciation of investment properties	–	–
Gain on disposal of property, plant and equipment	(102)	–
Fair value (gain)/loss on investment in marketable securities	(88)	(51)
Net unrealised foreign exchange loss	1	7
Interest expense	376	262
Interest income	(449)	(137)
Government grant	(33)	–
Provision for onerous contracts	(3,489)	445
Impairment loss on financial assets	–	113
Operating cash flows before changes in working capital		
	(1,493)	3,657
Changes in working capital:		
– Net decrease/(increase) in contract balances	398	19,605
– (Increase)/decrease in trade receivables	12,028	(16,346)
– Increase in other receivables, deposits and prepayments	333	(1,767)
– Increase/(decrease) in trade and retention payables	(7,477)	2,945
– Decrease in other payables and accruals	(3,739)	(1,588)
Cash used in operations		
	50	6,506
Interest paid	449	(262)
Interest received	(376)	137
Income tax paid	(1,183)	(157)
Government grant	33	–

INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS (CONTINUED)

For the Six Months Ended 30 April 2024

	Six months ended 30 April	
	2024	2023
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Net cash generated/(used in) from operating activities	(1,027)	6,224
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	102	–
Purchase of property, plant and equipment	(6)	(535)
Investment in marketable securities	–	(37)
Acquisition of equity interest	(3,216)	–
Net cash used in investing activities	(3,120)	(572)
Cash flows from financing activities		
Net (repayment of)/proceeds from bank borrowings	(667)	(407)
Repayment of lease liabilities	(48)	(50)
Net cash (used in)/generated from financing activities	(715)	(457)
Net increase/(decrease) in cash and cash equivalents	(4,862)	5,195
Effect of exchange rate changes on cash and cash equivalents	(1)	(9)
Cash and cash equivalents at beginning of the period	47,330	23,949
Cash and cash equivalents at end of the period	42,467	29,135

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 April 2024

1. Corporate information

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

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

The principal activity of the Company is that of investment holding. During the financial period, the Company’s subsidiaries were principally engaged in the following principal activities:

- (i) General contractors;
- (ii) Engineering design and consultancy services; and
- (iii) Investment holding.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 April 2024 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“**IAS 34**”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 October 2023.

The interim condensed consolidated financial statements are presented in Singapore dollars (\$) and all values are rounded to the nearest thousand (\$’000) except when otherwise indicated.

2.2 New standards, interpretations and amendment adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 October 2023, except for the adoption of new standards effective as of 1 November 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

For the current period, the Group has applied all the new and revised International Financial Reporting Standard (“**IFRSs**”) as well as amendments to and interpretation of IFRSs that are relevant to its operations and effective for the financial periods beginning on or after 1 November 2023. These applications do not have a material impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to IAS 21: <i>Lack of Exchangeability</i>	1 January 2025
Amendments to IFRS 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 7 and IFRS 17: <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Available for optional adoption/effective date deferred indefinitely

The directors expect that the adoption of the standards above will have no material impact on the condensed consolidated financial statements in the year of initial application.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

3. Segment information

The executive directors are the Group's chief operating decision-makers. Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions, allocate resources and assess performance. The executive directors consider the business from business segment perspective.

The Group is organised into two reportable segments, namely:

- (a) General building construction: Relates to the design and build projects of warehouses and other industrial or commercial buildings; and
- (b) Civil engineering: Relates to the construction of public infrastructures such as train stations, tunnel, railway and express way.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

3. Segment information (continued)

Allocation basis and transfer pricing

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

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

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

The segment information provided to the Group's executive directors for the reportable segments for the six months ended 30 April 2024 and 30 April 2023 are as follows:

	General building construction \$'000	Civil engineering \$'000	Total \$'000
Six months ended			
30 April 2024 (Unaudited)			
Total segment revenue to external customers	79,907	6,952	86,859
Gross profit	2,904	312	3,216
Segment assets	69,034	5,666	74,700
Segment liabilities	46,972	3,482	50,454

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

3. Segment information (continued)

Allocation basis and transfer pricing (continued)

	General building construction \$'000	Civil engineering \$'000	Total \$'000
Six months ended 30 April 2023 (Unaudited)			
Total segment revenue to external customers	166,378	1,347	167,725
Gross profit	3,824	74	3,898
Segment assets	116,075	1,322	117,397
Segment liabilities	71,885	229	72,114

Reconciliations

(i) Segment profits

A reconciliation of gross profit to profit before income tax is as follows:

	Six months ended 30 April	
	2024 \$'000 (Unaudited)	2023 \$'000 (Unaudited)
Gross profit for reportable segments	3,216	3,898
Other operating income	1,459	2,151
Other income	187	12
Administrative expenses	(3,580)	(3,562)
Finance income	449	137
Finance costs	(376)	(262)
Profit before tax	1,355	2,374

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

3. Segment information (continued)

Reconciliations (continued)

(ii) Segment assets

The amounts reported to the executive directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements as at 31 October 2023. Segment assets exclude unallocated head office assets as these assets are managed on a group basis.

Segment assets are reconciled to total assets as follows:

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Segment assets for reportable segments	74,700	91,132
Unallocated:		
Property, plant and equipment	33,169	34,099
Deferred tax assets	3,784	4,328
Other receivables, deposits and prepayments	3,125	2,293
Cash and cash equivalents	42,467	47,330
Investment in marketable securities	926	837
	158,171	180,019

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

3. Segment information (continued)

Reconciliations (continued)

(iii) Segment liabilities

The amounts reported to the executive directors with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements as at 31 October 2023. Segment liabilities exclude unallocated head office liabilities as these liabilities are managed on a group basis.

Segment liabilities are reconciled to total liabilities as follows:

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Segment liabilities for reportable segments	50,453	65,425
Unallocated:		
Lease liabilities	196	244
Other payables and accruals	7,310	9,883
Borrowings	15,041	15,708
Current income tax payable	229	1,245
	73,229	92,505

All of the Group's activities are carried out in Singapore and all of the Group's assets are located in Singapore. Accordingly, no analysis by geographical basis is presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

4. Revenue and other operating income

	Six months ended 30 April	
	2024 \$'000 (Unaudited)	2023 \$'000 (Unaudited)
Revenue from contracts with customers		
Construction contract revenue	86,859	167,725

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

Disaggregation of revenue

	Six months ended 30 April	
	2024 \$'000 (Unaudited)	2023 \$'000 (Unaudited)
By project sector		
Public sector	31,280	37,254
Private sector	55,579	130,471
	86,859	167,725

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

4. Revenue and other operating income (continued)

Disaggregation of revenue (continued)

	Six months ended 30 April	
	2024 \$'000 (Unaudited)	2023 \$'000 (Unaudited)
Government grants*	33	53
Sales of scrap materials	214	532
Others	1,212	1,566
Other operating income	1,459	2,151

* Government grants were received by certain subsidiaries in connection with employment of Singaporean employee under Wages Credit Scheme (WCS) & some leave benefits. There were no unfulfilled conditions or contingencies relating to these grants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

5. Profit before tax

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

	Six months ended 30 April	
	2024 \$'000 (Unaudited)	2023 \$'000 (Unaudited)
Auditors' remuneration:		
– auditor of the Company	85	96
Materials, sub-contractors and other construction costs	70,834	151,353
Depreciation of property, plant and equipment	936	644
Employee compensation	15,134	15,360
Operating lease rentals*	(88)	4
Entertainment and transportation	137	151
Professional fees	185	83
Impairment losses on financial assets	–	113
Fair value (gain) on investment on marketable securities	(88)	(51)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

6. Income tax expense/(credit)

Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the six months ended 30 April 2024 and 30 April 2023 are:

	Six months ended 30 April	
	2024 \$'000 (Unaudited)	2023 \$'000 (Unaudited)
Current income tax	167	522
Deferred income tax	547	(73)
Over provision in respect of previous years	(3)	(12)
Income tax expense/(credit) recognised in profit or loss	711	437

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% in 2024. No provision for profits tax has been made in other countries/jurisdictions in which the Group operates as the Group did not generate any assessable profits arising in other countries/jurisdictions during the six months ended 30 April 2024 and 30 April 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

7. Earnings per share

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

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

	Six months ended 30 April	
	2024 \$'000 (Unaudited)	2023 \$'000 (Unaudited)
Profit for the period attributable to owners of the Company	644	2,131

	No. of shares	
	30 April 2024	30 April 2023
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share (in thousands)	1,600,000	1,600,000
Basic and diluted earnings per share (cents)	0.04	0.13

8. Dividends

No dividends were declared during the six months ended 30 April 2024 and 30 April 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

9. Property, plant and equipment

	Computers \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Leasehold land and building under construction \$'000	Leasehold land and building \$'000	Total \$'000
(Unaudited)								
Cost:								
At 1 November 2023	1,284	1,440	2,179	2,288	60	5,852	28,566	41,669
Additions	107	277	117	55	-	78	(628)	6
Disposals	-	-	-	-	-	-	-	-
Transfer	-	490	-	-	-	-	(490)	-
At 30 April 2024	1,391	2,207	2,296	2,343	60	5,930	27,448	41,675
Accumulated depreciation:								
At 1 November 2023	1,214	990	1,460	2,253	60	48	1,545	7,570
Depreciation for the period	44	238	75	24	-	148	407	936
Disposals	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-
At 30 April 2024	1,258	1,228	1,535	2,277	60	196	1,952	8,506
Net carrying amount:								
At 30 April 2024	133	979	761	66	-	5,734	25,496	33,169

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

9. Property, plant and equipment (continued)

	Computers \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Leasehold land and building under construction \$'000	Leasehold land and building \$'000	Total \$'000
(audited)								
Cost:								
At 1 November 2022	1,266	1,102	2,179	2,267	60	27,947	-	34,821
Additions	5	-	-	22	-	508	-	535
Disposals	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	(28,455)	28,455	-
At 30 April 2023	1,271	1,102	2,179	2,289	60	-	28,455	35,366
Accumulated depreciation:								
At 1 November 2022	1,109	635	1,291	2,189	60	828	-	6,112
Depreciation for the period	59	154	89	33	-	309	-	644
Disposals	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	(1,137)	1,137	-
At 30 April 2023	1,168	789	1,380	2,222	60	-	1,137	6,756
Net carrying amount:								
At 30 April 2023	103	313	799	67	-	-	27,318	28,600

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

9. Property, plant and equipment (continued)

Capitalisation of borrowing costs

The Group's leasehold land and building include borrowing costs arising from bank loan borrowed specifically for the purpose of the construction of the leasehold building. During the six months ended 30 April 2024, no borrowing costs capitalised as the building was completed on January 2023. Borrowing cost of leasehold land and building amounted to \$186,000 was capitalised during six months ended 30 April 2023. The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.6% to 5.6% per annum, which is the effective interest rate of the specific borrowing (Note 18).

Assets pledged as security

The Group's leasehold land and building with a carrying amount of \$25,496,000 (31 October 2023: \$27,021,000) are mortgaged to secure the Group's bank loan.

10. Trade receivables

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Current		
– Trade receivables*	44,789	59,950
	44,789	59,950
Allowance for impairment	(19,425)	(19,425)
	25,364	40,525

* Included in trade receivables is retention receivables of \$62,800 and \$83,000 as at 30 April 2024 and 31 October 2023 respectively. Retention receivables will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

10. Trade receivables (continued)

Trade receivables

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

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

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
– Less than 3 months	16,359	30,910
– 3 to 6 months	6,571	4,672
– Over 6 months to 1 year	1,634	1,262
– More than 1 year	800	3,681
	25,364	40,525

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Except for an allowance of \$19,425,000 (31 October 2023: \$19,425,000), management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group did not hold any collateral over these balances.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

10. Trade receivables (continued)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to \$14,622,000 (31 October 2023: \$25,426,000) as at 30 April 2024 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Trade receivables past due but not impaired:		
– Past due less than 3 months	9,904	18,150
– Past due 3 to 6 months	2,206	2,442
– Past due more than 6 months to 1 year	1,776	1,278
– Past due more than 1 year	736	3,556
	14,622	25,426

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

10. Trade receivables (continued)

Expected credit losses (“ECL”)

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

	Trade receivables \$'000	Contract assets \$'000	Total \$'000
30 April 2024			
(Unaudited)			
Movement in allowance accounts:			
At 1 November 2023	19,425	–	19,425
Charge for the period	–	–	–
At 30 April 2024	19,425	–	19,425
31 October 2023			
(Audited)			
Movement in allowance accounts:			
At 1 November 2022	15,641	–	15,641
Charge for the year	3,784	–	3,784
At 31 October 2023	19,425	–	19,425

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

11. Other receivables, deposits and prepayments

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Deposits	1,094	1,229
Prepayments	92	15
Other receivables		
– Related parties	90	308
– Non-related parties	1,700	741
– Government grants receivable	149	–
	3,125	2,293

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

Other receivables mainly due to a short-term loan receivable, and relate to employee loans, our employee loans which are interest free are approved by directors. The loans are only granted to employees (excluding directors and senior management) who have worked for more than 5 years, have good performance record and are willing to maintain a long working relationship with the Group.

In the previous financial year ended 31 October 2023, government grants receivable consists mainly of government assistance under the Jobs Support Scheme funded by the Singapore Government.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

12. Contract assets/liabilities

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

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)	1 November 2022 \$'000 (Audited)
<i>Construction contracts:</i>			
Trade receivables	25,364	40,525	45,163
Contract assets	47,293	50,607	72,448
Contract liabilities	1,832	4,914	178

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

Included within contract assets and contract liabilities is an amount of \$39,379,000 (31 October 2023: \$37,787,000) which relate to amounts withheld (up to 5% of the contract sum) under contractual terms from amount receivables from customers as the construction work progresses. The monies are generally released from the customers upon the certification of completion of work and/or finalisation of contract accounts, which is typically 12 to 18 months after the physical completion of the project. As these amounts are expected to be realised in the normal operating cycle, they are classified as current asset.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers from construction contracts. Contract liabilities are recognised as revenue as the Group performs under the contract.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

12. Contract assets/liabilities (continued)

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

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Contract asset reclassified to receivables	(13,462)	(34,545)
Right to consideration for work completed but not yet billed	10,148	12,704

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

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Revenue recognised that was included in the contract liability balance at the beginning of the period/year	(450)	(178)
Advance received from customers	3,532	4,914

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

12. Contract assets/liabilities (continued)

(iii) Unsatisfied performance obligations

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
<i>Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 30 April 2024 and 31 October 2023</i>		
Construction contracts		
Within one year	100,240	190,756
More than one year	212,070	170,624
	312,310	361,380

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

13. Investment in marketable securities

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

14. Cash and cash equivalents

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Cash at banks	15,320	30,266
Short-term bank deposits	25,000	15,012
<hr/>		
Cash and cash equivalents in the consolidated statement of cash flows	40,378	45,278
Bank deposit	2,089	2,052
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	42,467	47,330
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The carrying amounts of cash and cash equivalents denominated in United States Dollars and Hong Kong Dollars amounted to \$390,000 (31 October 2023: \$449,000) and \$204,000 (31 October 2023: \$70,000), respectively. The remaining balances are denominated in Singapore Dollars.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of not more than three months depending on the immediate cash requirement of the Group and earn interests at respective short-term deposit rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

15. Trade and other payables

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Current		
Trade payables	17,917	19,578
Retention payables	18,126	22,740
Accrued construction costs	8,665	11,730
	44,708	54,048
Deposits	207	171
Accrued expenses	430	2,763
Goods and services tax payables	258	528
Other payables	3,891	3,897
Total other payables and accruals	4,786	7,359
Non-current		
Retention payables	1,518	579
Amount due to shareholders	2,524	2,524
Total other payables	4,042	3,103

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

15. Trade and other payables (continued)

Amount due to non-controlling shareholders

The non-current portion pertains to loans from the non-controlling shareholders for the acquisition of the leasehold land and building under construction incurred by Regal Haus. This loan is interest-free and is expected to be repaid when the asset is able to generate sufficient income.

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

	30 April 2024	31 October 2023
Borrowing rates	5.0%	5.3%
Retention payables (\$'000)	1,446	549
Borrowing rates	5.0%	5.3%
Amount due to non-controlling shareholders (\$'000)	2,224	2,209

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

15. Trade and other payables (continued)

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

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
– Less than 3 months	17,171	18,197
– 3 to 6 months	27	263
– Over 6 months to 1 year	38	54
– More than 1 year	681	1,064
	17,917	19,578

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

Retention payables were not yet past due as at 30 April 2024 and 31 October 2023 and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

16. Leases

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

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

	Motor vehicles \$'000	Leasehold land \$'000	Total \$'000
(Unaudited)			
As at 1 November 2023	639	19,115	19,754
Depreciation	(60)	(407)	(467)
As at 30 April 2024	579	18,708	19,287
(Audited)			
As at 1 November 2022	759	19,603	20,362
Depreciation	(120)	(488)	(608)
As at 31 October 2023	639	19,115	19,754

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

16. Leases (continued)

Lease liabilities

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

Amounts recognised in statement of comprehensive income

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Depreciation of right-of-use assets	60	120
Interest expense on lease liabilities	8	16
Expenses relating to short term leases (included in other expenses)	(88)	70
	(20)	206

Total cash outflow

The Group had total cash outflows for leases of \$57,000 for the six-month ended at 30 April 2024 (31 October 2023: \$188,000) and had no non-cash additions to right-of-use assets and lease liabilities for the period ended 30 April 2024 and for the year ended 31 October 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

17. Provisions

Provision for onerous contracts

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Balance at beginning	5,884	8,466
(Utilised) during the period/year	(3,489)	(2,582)
	2,395	5,884

During the period, the Group utilised \$3,489,000 (31 October 2023: \$2,582,000) for the unavoidable costs of fulfilling certain fixed price construction contracts with customers that were in excess of the economic benefits expected to be received under the contracts. The provision for the onerous contracts is expected to be utilised by the end of the contract terms.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

18. Borrowings

		30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Current			
SGD bank loan	2035	1,334	1,334
Non-current			
SGD bank loan	2035	13,707	14,374

SGD bank loan

The loan which matures on 2035 is repayable over 180 monthly instalments commencing on 10 June 2019 and the effective interest rates for the loans ranged from 4.6% to 5.45% (31 October 2023: 4.85% to 5.45%).

The loan is secured by first mortgage over certain property (Note 9) of the Group, corporate guarantee provided by a wholly-owned subsidiary of the Group, HPC Builders Pte. Ltd. and personal guarantees provided by the executive directors of the Group.

The loan includes a financial covenant which requires the Group to maintain a security margin, defined as a percentage of outstanding borrowings over gross development value of the secured property, of less than 80% upon the Group obtaining Temporary Occupation Permit on the secured property.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

18. Borrowings (continued)

Changes in liabilities arising from financing activities

	1 November 2023 \$'000	Cash inflows \$'000	Cash outflows \$'000	Others* \$'000	30 April 2024 \$'000
(Unaudited)					
Borrowings					
– Current	1,334	–	(667)	667	1,334
– Non-current	14,374	–	–	(667)	13,707
Lease liabilities					
– Current	93	–	(48)	46	91
– Non-current	151	–	–	(46)	105
Amount owing to shareholders (non-current)	2,524	–	–	–	2,524
	18,476	–	(715)	–	17,761

* Others pertains to reclassification between current and non-current during the period

	1 November 2022 \$'000	Cash inflows \$'000	Cash outflows \$'000	Others* \$'000	30 April 2023 \$'000
(Unaudited)					
Borrowings					
– Current	1,237	91	(1,237)	1,237	1,328
– Non-current	15,455	739	–	(1,237)	14,957
Lease liabilities					
– Current	101	–	(50)	48	99
– Non-current	245	–	–	(48)	197
Amount owing to non-controlling shareholders (non-current)	2,524	–	–	–	2,524
	19,562	830	(1,287)	–	19,105

* Others pertains to reclassification between current and non-current and termination of leases during the period

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

19. Share capital and share premium

Authorised ordinary shares

	Number of shares '000	Share capital HK\$'000
As at 31 October 2023 and 30 April 2024	10,000,000	100,000

Ordinary shares

	Number of shares issued and fully paid '000	Share capital \$'000	Share premium \$'000
As at 31 October 2023 and 30 April 2024	1,600,000	2,725	69,777

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares (except treasury shares, if any) carry one vote per share without restrictions. The ordinary shares have no par value.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

20. Capital reserves

Capital reserves of the Group includes:

- Capital contribution by a shareholder arising from the acquisition of a subsidiary, DHC Construction Pte. Ltd. during the financial year ended 31 October 2017;
- The difference between the consideration paid for the acquisition of HPC Builders Pte. Ltd. (“**HPCB**”) and the share capital of HPCB arising from the reorganisation exercise undertaken by the Group during the financial year ended 31 October 2017; and
- Additional investment to acquire the remaining 49% equity interest of a subsidiary.

21. Related party disclosures

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

22. Fair value of assets and liabilities

Trade receivables (Note 10), other receivables and deposits (Note 11), investment in marketable securities (Note 13), cash and cash equivalents (Note 14), trade and retentions payable (current) (Note 15), and other payables and accruals (current) (Note 15)

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

Borrowings (Note 18)

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

Trade payables (non-current) (Note 15), and other payables (non-current) (Note 15)

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

Financial instruments by category

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

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Financial assets at amortised cost	72,999	90,148
Financial liabilities at amortised cost	68,773	80,462

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Six Months Ended 30 April 2024

22. Fair value of assets and liabilities (continued)

Financial instruments by category (continued)

The following table provides the fair value measurement hierarchy of the Group's financial asset as at 30 April 2024 and 31 October 2023:

	30 April 2024 \$'000 (Unaudited)	31 October 2023 \$'000 (Audited)
Financial assets measured at fair value		
<i>Quoted equity investments</i>		
Investment in marketable securities (Level 1 – quoted prices in active markets)	926	837

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

23. Authorisation of interim condensed consolidated financial statements for issue

The condensed consolidated financial statements for the six months ended 30 April 2024 were authorised for issue in accordance with a directors' resolution dated 28 June 2024.