HPC HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1742)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 OCTOBER 2020

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of HPC Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 October 2020 (the "**Financial Year**") together with the comparative figures for the corresponding period in 2019 (the "**Previous Period**").

BUSINESS REVIEW

The Singapore economy was adversely affected by the COVID-19 pandemic throughout the year 2020 as in all other major economies in the world. Towards the end of the third quarter of 2020, Singapore economy started to improve progressively with the phased resumption of activities after emerging from the mandatory lockdown following the Circuit Breaker (the "**CB**") that was implemented from 7 April to 1 June 2020. Even with this resumption of economic activities, on a year-to-year basis, Singapore economy was still contracted by 5.8%, moderating from the 13.3% contraction recorded in the previous quarter. The construction sector shrank by 46.6% year-on-year, extending the 60.0% contraction in the preceding quarter, due to the declines in both public sector and private sector construction works. As a result, the projected construction demand for this year has been revised to between S$18 billion and S$23 billion compared with the January 2020 forecast of S$28 billion to S$33 billion, a sharp drop of around S$10 billion, according to the latest projection by Building and Construction Authority.

The Group's performance has also been greatly affected by COVID-19 pandemic in 2020 with the prolongation of lockdown and the subsequent slow restart of all our on-going projects due to implementation of safe management measures. The weaker economy in Singapore has also resulted in the postponement of many projects in both public as well as private sectors. The Singapore Government has enacted a law that automatically grants all projects affected by COVID-19 pandemic an extension of 122 days to protect contractors in view of these delays. The Group also faces another major problem in securing enough workers for our on-going projects as many of our existing workers opted to return home owing to the high infection rate of COVID-19 among the foreign workers staying in the workers dormitories in Singapore. This together with the lockdown of borders by these countries resulting in no new workers are allowed to come into Singapore, the Group's workers strength has significantly reduced by 15% compared with the work force before CB, it was adversely affecting the progress of all our ongoing projects.

Under such difficult market conditions, the Group could only completed S$147 million of contract works in the Financial Year compared with S$215 million in Previous Period. The Group has also managed to secure only 3 new projects in Financial Year with a total contract sum of S$179 million compared with S$186 million in Previous Period. One of the projects awarded, was to build the warehouse and the corporate office of a major F&B company, Paradise Group, won through a competitive bidding exercise. The Group has also managed to secure the TOP for the North London Collegiate School, a renowned international school chain operating in Singapore, in late December 2020, in time for the school to start operating in January 2021. Even with the fewer new awards and the completion of the school, the Order Book of the Group is still remaining high at S$356 million, due to the award of two large projects, namely the REC and the HDB C6 projects.

Currently the Group is actively tendering for new projects of which a few potential large scale industrial projects in the pipeline are to be awarded in first quarter of 2021 and are from existing clients which the Group has good chance to secure. The Group has also aggressively looked into the various grants initiated by the Singapore Government to defray some of the costs in implementing the mandatory safe distancing measures and expanding our capability in digital delivery initiatives in driving our productivity growth, which is very crucial in view of the imminent shortage of workers in construction industry.

FINANCIAL REVIEW

The unprecedented outbreak of COVID-19 from January 2020 had subsequently developed to a global pandemic (the "**Pandemic**"). Being an international trade hub, Singapore implemented a partial lockdown to fight against the virus. The economy of Singapore has been severely affected and construction industry has been its epicenter as mentioned in the business section. Hence, after operating with much less production activities during the Financial Year, with anticipation of future unforeseen situation, loss of productivity, rising materials and other operating cost to fit the new normal of routines, the Group's financial performance was recorded a plunge as compared to the Previous Period for the year ended at 31 October 2020.

Revenue and Gross Profit

The Group registered a 31.56% decrease in revenue for the Financial Year as compared with the year ended 31 October 2019 from approximately S$215.5 million to approximately S$147.5 million. Revenue decreased as a result of significantly less construction activities performed due to the Pandemic and the CB.

The gross profit of the Group reduced from approximately S$25.96 million to S$402 thousand for the Financial Year as compared with the year ended 31 October 2019, representing an approximately 98.0% reduction. Gross profit margin reduces 11.78 percentage points from 12.05% to 0.27%. The decline of the gross profit margin was mainly due to relatively lower gross profit margin of the recent awarded projects compared with those projects awarded before, which is consistent with the market trends. The Pandemic also resulted in the reduction of gross profit margin as prices of materials, labour and logistics have significantly increased and there are still many unforeseen risks. On-going projects are forced to face the challenges of discounted productivity and take up more labor cost, safety cost, other material cost, and eventually subcontractor cost.

Other Income

Other Income of the Group for the Financial Year increased by more than S$6 million, primarily due to more government subsidies granted from Singapore Government to assist business to defray the cost caused by the Pandemic.

Administrative Expenses

The Group incurred more administrative expenses for the Financial Year compared with the year ended 31 October 2019. Administrative expenses increased by approximately S$4.5 million from approximately S$8.4 million to S$12.9 million. The large increment of the administrative expenses was primarily due to the additional costs incurred during the idle period to maintain projects site safety and keep projects' team members who were normally directly involved in site construction activities.

Income Tax Expenses

As a result of the negative operating income in the Financial Year and certain provisions provided for foreseeable loss and doubtful debt, the Group is expected to gain income tax benefit of approximately S$710,000.

Profit After Tax

As a result of the combined effects mentioned above, the Company recorded a net loss after tax at approximately S$4.6 million, representing a reduction of S$19.4 million, or approximately 131% as compared with the Previous Period.

Dividends

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

Liquidity

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

Current ratios (defined as total current assets divided by total current liabilities) of the Group are 2.6 and 2.3 as at 31 October 2020 and 31 October 2019, respectively.

Borrowings and Gearing

The Group's borrowings relate to certain finance lease obligations obtained through the acquisition of motor vehicles and there were term loans and shareholders loans for land purchase and redevelopment of an industrial building on the land purchased for 7 Kung Chong Project. The Group also obtained the Temporary Bridge Loan (the "**TBL**") of S$5 million initiated by Singapore Government to help local companies' working capital needs. The term of the TBL is five years.

Gearing ratios (defined as total borrowings divided by total equity) of the Group are 20.2% and 11.8% as at 31 October 2020 and 31 October 2019 respectively and the increasing of gearing ratio was mainly due to the above-mentioned TBL term loans.

Foreign Exchange Exposure

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

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

Mortgage or Charges on Group's Assets

As at 31 October 2020, the acquired land was mortgaged to secure the Group's bank loan. One of the subsidiaries, HPC Builders Pte Ltd. was also charged to the same bank for the same project as additional security. Other than that, only motor vehicles were acquired via finance leases.

Contingent Liabilities and Financial Guarantees

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

As at 31 October 2020, saved as disclosed in the section "Mortgage or Charges on Group's Assets", there is no financial guarantee granted in favor of the third party of the Group.

Capital Expenditure and Capital Commitments

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

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

On 21 August 2020, HPC Builders Pte Ltd., an indirectly wholly-owned subsidiary of the Company, entered into the agreement pursuant to which HPC Builders Pte Ltd. agreed to acquire an aggregate of 100% interest in Aasperon Venture Pte Ltd for a total consideration of S$3.8 million from ex-owner. Upon completion of the transaction, Aasperon Venture Pte Ltd became an indirectly wholly-owned subsidiary. Aasperon Venture Pte Ltd is a Singapore incorporated private limited company, which owns a lease hold industrial land with existing warehouse facility situated at 13 Neythal Road, Singapore 628579. HPC Builders Pte. Ltd. intended to utilize the land to develop a workers' hub with auxiliary facilities to house some of our own foreign workers to defray rising accommodation and transportation cost after COVID-19 outbreak. Part of the development will be also utilized to provide various skill trainings for foreign workers.

EMPLOYEE INFORMATION

As at 31 October 2020, the Group had 1,081 employees including the foreign workers.

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

Total staff costs including Directors' emoluments amounted to approximately S$26 million (2019: S$29 million) for the Financial Year.

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

During the Pandemic, our employees especially foreign workers were well taken care of, the Group swiftly responded to government arrangement to arrange accommodation, food and living groceries and distribution of personal protection and hygiene products to all the foreign workers in need. Human resource department has followed up closely with foreign employees who are vulnerable and taken immediate action according to Singapore authorities' regulations. As at the date of announcement, none of our employee's health is seriously affected by the Pandemic.

PROSPECTS

The construction market in year 2021 in Singapore is projected to recover from the low base in the Financial Year even with uncertainties and risks in global economy remain. The Ministry of Trade and Industry has projected Singapore economy to grow by 4.0% to 6.0% next year with the emphasis that the growth will be gradual and will depend to a large extent on how the global economy performs and whether Singapore is able to continue to keep the domestic COVID-19 situation under control. Given the improved growth outlook for key external economies, as well as a further easing of global and domestic public health measures with the availability of vaccine, the Singapore construction market is projected to return to growth in 2021.

Government of Singapore has taken the lead to inject more public works into the construction market by calling tenders for the public residential developments, upgrading works in Jurong Lake District, the construction of new healthcare facilities and various infrastructure projects such as the construction of the Cross Island MRT line.

On the private sector, the demand for the increased storage of cold room facilities and the increased demand of logistic activities has prompted more developers into building more warehouses or retrofitting the existing warehouses with cold room facilities. The Group is also working together with developers to develop the next new generation of container stacking yard, optimizing the land use and automation to improve the efficiency of such facility.

Barring from any resurgence of COVID-19 Pandemic in 2021, the Group is optimistically confident that with the healthy order book that can keep most of the existing workforce to be productively employed till the first quarter of 2021, which is in time for the new projects to kick in, the Group is able to reverse the poor performance in 2020 with determination and resilience to emerge stronger in 2021.

SHARE OPTION SCHEME

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

No share options were granted or outstanding for the Financial Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix 10 of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") as code of conduct regarding directors' securities transactions. Having made specific enquiry, all Directors have confirmed that they have complied with the Model Code throughout the Financial Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted and complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the Financial Year with the exception of code provision A.2.1.

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 19 October 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the SEHK and the Company. It comprised of three independent non-executive Directors, namely, Mr. Leung Wai Yip (Chairman), Mr. Zhu Dong and Ms. Ng King Wai Diana.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control procedures and financial reporting matters including the review of the Group's annual financial results for the Financial Year, particularly addressed the impact of the Pandemic to the Company's operation. The Audit Committee is of the view that the consolidated financial statements for the Financial Year have been prepared in accordance with the applicable standards, the Listing Rules and the statutory provisions and sufficient disclosures have been made.

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

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

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

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

EVENTS AFTER THE FINANCIAL YEAR

The Company announced that on 22 January 2021, as Party A, has entered into a Memorandum of Understanding (the "**MOU**") with Party B whereby Party A intended to acquire certain interests in a target companies from Party B. The target companies own 100% interest in Dongguan Jingcheng, which owns a Land. The Land is located in the Greater Bay Area and may be used for redevelopment. Through the acquisition of interests in the target companies, the Company will acquire an indirect interest in the Land and can extend its construction business into the Greater Bay Area. According to the MOU, Party A may form a joint venture with an independent third party to acquire sale shares from Party B. Stakeholders are advised to refer announcement with terms of the MOU published on 22 January, 2021.

The Company is in the midst of finalising the transaction with reference to the due diligence review and obtain all the required regulatory approvals. Further update will be published in due course.

PUBLICATION ON THE WEBSITES OF THE SEHK AND THE COMPANY

This announcement is published on the website of the SEHK (*http://www.hkexnews.hk*) and on the website of the Company (*http://www.hpc.sg*).

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

Singapore, 29 January 2021

As at the date of this announcement, the Board comprises Mr. Wang Yingde and Mr. Shi Jianhua as executive Directors; and Mr. Zhu Dong, Mr. Leung Wai Yip and Ms. Ng King Wai Diana as independent non-executive Directors.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the financial year ended 31 October	
		2020	2019
	Note	***S$'000***	*S$'000*
Revenue	*4*	**147,494**	215,498
Cost of sales		**(147,092)**	(189,538)
Gross profit		**402**	25,960
Other operating income	*5*	**7,478**	817
Administrative expenses		**(12,953)**	(8,388)
Operating profit		**(5,073)**	18,389
Impairment losses on financial assets			
– trade receivables		**(550)**	–
Other expenses	*5*	**(15)**	(71)
Finance income	*6*	**393**	103
Finance costs	*6*	**(87)**	(14)
Profit before tax	*7*	**(5,332)**	18,407
Income tax expense	*9*	**710**	(3,583)
Profit for the year, representing total		**(4,622)**	14,824
Total comprehensive income attributable to:			
Owners of the Company		**(4,569)**	14,862
Non-controlling interests		**(53)**	(38)
		(4,622)	14,824
Earnings per share			
– Basic (S$ cents)	*10*	**(0.3)**	0.9
– Diluted (S$ cents)	*10*	**(0.3)**	0.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 October	
		Group	
		2020	2019
	Note	***S$'000***	*S$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**22,099**	16,905
Intangible assets		**–**	–
Investment properties	*12*	**5,229**	5,397
Trade receivables	*13*	**2,931**	–
Deferred tax assets	*9*	**600**	60
		30,859	22,362
Current assets			
Trade and retention receivables	*13*	**43,736**	59,408
Other receivables, deposits and prepayment		**2,998**	2,005
Contract assets	*14*	**31,480**	45,417
Cash and cash equivalents	*15*	**63,002**	31,186
		141,216	138,016
Total assets		**172,075**	160,378
EQUITY AND LIABILITIES			
Current liabilities			
Trade and retention payables	*16*	**33,824**	34,090
Other payables and accruals	*16*	**6,575**	5,916
Provisions		**2,112**	39
Contract liabilities	*14*	**19,791**	7,798
Lease liabilities	*17*	**175**	100
Borrowings	*18*	**1,676**	720
Current income tax payable		**765**	3,434
		64,918	52,097
Net current assets		**76,298**	85,919

		As at 31 October	
		Group	
		2020	2019
	Note	***S$'000***	*S$'000*
Non-current liabilities			
Retention payables	*16*	**1,035**	1,506
Other payables	*16*	**2,058**	2,058
Lease liabilities	*17*	**1,161**	516
Borrowings	*18*	**13,104**	9,780
		17,358	13,860
Total liabilities		**82,276**	65,957
Equity attributable to owners of the Company			
Share capital	*20*	**2,725**	2,725
Share premium	*20*	**69,777**	69,777
Capital reserves	*21*	**(26,972)**	(26,972)
Retained profits		**43,870**	48,439
		89,400	93,969
Non-controlling interests		**399**	452
Total equity		**89,799**	94,421
Total equity and liabilities		**172,075**	160,378

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 October 2020

	Attributable to owners of the Company						
	Share capital *S$'000*	Share premium *S$'000*	Capital reserve *S$'000*	Retained profits *S$'000*	Total *S$'000*	Non-controlling interests *S$'000*	Total equity *S$'000*
Group							
At 1 November 2018	2,725	69,777	(26,972)	33,577	79,107	490	79,597
Profit for the year, representing total comprehensive income for the year	–	–	–	14,862	14,862	(38)	14,824
At 31 October 2019	2,725	69,777	(26,972)	48,439	93,969	452	94,421
Group							
At 1 November 2019	2,725	69,777	(26,972)	48,439	93,969	452	94,421
Loss for the year, representing total comprehensive income for the year	–	–	–	(4,569)	(4,569)	(53)	(4,622)
At 31 October 2020	2,725	69,777	(26,972)	43,870	89,400	399	89,799

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Block 165, Bukit Merah Central, #08-3687, Singapore 150165.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group for the year ended 31 October 2020 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

The 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 2020.

The 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 accounting standards effective on 1 November 2019

The accounting policies adopted are consistent with those of the previous financial year except that in the current year the Group has adopted all the new and revised standards that are effective for annual financial period beginning on or after 1 November 2019. Except for the adoption of IFRS 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

The Group adopted IFRS 16 *Leases* on 1 November 2019. The nature of the changes in these financial reporting standards are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 November 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 November 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

– Used a single discount rate to a portfolio of leases with reasonably similar characteristics

– Relied on its assessment of whether leases are onerous immediately before the date of initial application

– Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

– Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

– Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

As all the leases of the Group as at 1 November 2019 are classified as short-term leases, there is no impact on the adoption on IFRS 16 to the Group as at 1 November 2019.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use asset and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 November 2019.

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 References to the Conceptual Framework in FRS Standards	1 January 2020
Amendments to IAS 1 and IAS 8 *Definition of Material*	1 January 2020
Amendments to IFRS 16 *Covid-19-Related Rent Concession*	1 June 2020
Amendments to IAS 16 *Property, Plant and Equipment*	1 January 2022
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020	1 January 2022
Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2023

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

3. SEGMENT INFORMATION

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

The Group is organised into two reportable segments, namely:

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

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

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

Allocation basis and transfer pricing

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

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

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

The segment information provided to the Group's executive director for the reportable segments for the year ended 31 October 2020 and 31 October 2019 are as follows:

	General building construction	**Civil engineering**	**Total**
	S$'000	***S$'000***	***S$'000***
2020			
Total segment revenue	**140,718**	**6,776**	**147,494**
Gross profit	**213**	**189**	**402**
Segment assets	**74,616**	**3,531**	**78,147**
Segment liabilities	**53,636**	**3,126**	**56,762**

	General building construction	Civil engineering	Total
	S$'000	*S$'000*	*S$'000*
2019			
Total segment revenue	197,058	18,440	215,498
Gross profit	18,887	7,073	25,960
Segment assets	99,645	5,180	104,825
Segment liabilities	42,668	2,031	44,699

Reconciliations

(i) *Segment profits*

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

	2020	2019
	S$'000	*S$'000*
Gross profit for reportable segments	**402**	25,960
Other operating income	**7,478**	817
Other expenses	**(15)**	(71)
Impairment losses on financial assets	**(550)**	–
Administrative expenses	**(12,953)**	(8,388)
Finance income	**393**	103
Finance costs	**(87)**	(14)
Profit before income tax	**(5,332)**	18,407

(ii) *Segment assets*

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

Segment assets are reconciled to total assets as follows:

	2020	2019
	S$'000	*S$'000*
Segment assets for reportable segments	**78,147**	104,825
Unallocated:		
Property, plant and equipment	**22,099**	16,905
Investment properties	**5,229**	5,397
Deferred income tax assets	**600**	60
Other receivables, deposits and prepayments	**2,998**	2,005
Cash and cash equivalents	**63,002**	31,186
TOTAL	**172,075**	160,378

(iii) Segment liabilities

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

Segment liabilities are reconciled to total liabilities as follows:

	2020	2019
	S$'000	*S$'000*
Segment liabilities for reportable segments	**56,762**	44,699
Unallocated:		
Lease liabilities	**1,336**	616
Other payables and accruals	**8,633**	6,708
Borrowings	**14,780**	10,500
Current income tax payable	**765**	3,434
	82,276	65,957

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

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

	2020	2019
	S$'000	*S$'000*
Customer A	**32,019**	45,852
Customer B	**31,494**	28,263
Customer C	**22,191**	25,776
Customer D	**–**	24,602

These revenues are attributable to the general building construction segment.

4. REVENUE

	2020	2019
	S$'000	*S$'000*
Revenue from contracts with customers construction contract revenue	**147,494**	215,498

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

Disaggregation of revenue

	2020	2019
	S$'000	*S$'000*
By project sector		
Public sector	**16,097**	28,805
Private sector	**131,397**	186,693
	147,494	215,498

5. OTHER OPERATING INCOME AND OTHER (LOSS)/INCOME

	2020	2019
	S$'000	*S$'000*
Government grants*	**6,873**	200
Sales of scrap materials	**378**	376
Rental income	**157**	37
Others	**70**	204
Other operating income	**7,478**	817
Net foreign exchange gain/(loss)	**30**	(61)
Loss on disposal of property, plant and equipment	**(45)**	(10)
Other (loss)/income	**(15)**	(71)

* Government grants were mainly recognised or received from Job Support Scheme and construction project support grants announced by Singapore Government to help companies defray the additional cost impact caused by the pandemic of COVID-19.

6. FINANCE INCOME AND COSTS

	2020	2019
	S$'000	*S$'000*
Finance income:		
– Bank interest	**161**	103
– Income from loan to external party *(Note 13)*	**232**	–
Finance costs:		
– Interest expense on finance lease liabilities	**(87)**	(14)

7. PROFIT BEFORE TAX

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

	2020	2019
	S$'000	*S$'000*
Auditors' remuneration:		
– auditor of the Company	**160**	140
Employee compensation *(Note 8)*	**26,094**	29,050
Materials, sub-contractors and other construction costs	**123,273**	162,247
Work stoppages related costs	**7,387**	–
Depreciation of property, plant and equipment	**823**	596
Depreciation of investment properties	**168**	193
Operating lease rentals	**235**	179
Entertainment and transportation	**242**	315
Professional fees	**384**	919
Allowance for doubtful receivables	**550**	–
Provision for onerous contract	**2,112**	39
Write off/(back) of trade and other receivables	**(43)**	43

8. EMPLOYEE COMPENSATION

	2020	2019
	S$'000	*S$'000*
Wages and salaries (including directors' emoluments)	**24,930**	27,896
Defined contribution plans	**1,164**	1,154
	26,094	29,050

Five highest paid individuals

For the years ended 31 October 2020 and 2019, the five individuals whose emoluments were the highest in the Group include 2 directors (2019: 2). The emoluments paid/payable to the remaining individuals, during the years ended 31 October 2020 and 2019 are as follows:

	2020	2019
	S$'000	*S$'000*
Wages and salaries	**1,307**	550
Bonuses	**163**	244
Defined contribution plans	**81**	51
	1,551	845

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

	2020	2019
Number of individuals		
Emolument band		
Nil to HK$1,000,000 (S$179,333)	**–**	–
HK$1,000,001 (S$179,333) to HK$2,000,000 (S$358,667)	**3**	3
HK$2,000,001 (S$358,667) and above	**–**	–

9. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 October 2020 and 2019 are:

	2020	2019
	S$'000	*S$'000*
Current income tax		
Current year	**–**	3,356
Under/(over) provision in respect of previous years	**(170)**	182
Deferred income tax		
Origination and reversal of temporary difference	**(545)**	(29)
Under/(over) provision in respect of previous years	**5**	74
Income tax expense recognised in profit or loss	**(710)**	3,583

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 October 2020 and 2019 is as follows:

	2020	2019
	S$'000	*S$'000*
Profit before tax	**(5,332)**	18,407
Tax at applicable corporate tax rate of 17% (2019: 17%)	**(906)**	3,129
Adjustments:		
– Non-deductible expenses	**325**	274
– Statutory stepped income exemption	**(275)**	(52)
– Under/(over) provision in respect of previous years	**(170)**	256
– Tax rebate	**(30)**	(24)
– Deferred tax assets not recognized	**430**	–
– Others	**(84)**	–
Income tax expense recognised in profit or loss	**(710)**	3,583

Unrecognized tax losses

At the end of the reporting period, the Group has tax losses of approximately S$2,529,000 (2019: Nil) that are available for offset against future taxable profits of the Company in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provision of the tax legislation of the country in which the Company operate.

(c) Deferred tax assets/(liabilities)

The analysis of deferred tax assets and liabilities is as follows:

	2020	2019
	S$'000	*S$'000*
Deferred tax assets	**600**	131
Deferred tax liabilities	**–**	(71)
Deferred tax assets, net	**600**	60

Deferred tax assets

	2020	2019
	S$'000	*S$'000*
At beginning of the financial year	**131**	131
Credited to profit or loss	**469**	–
At end of the financial year	**600**	131

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

Deferred tax liabilities

	2020	2019
	S$'000	*S$'000*
At beginning of the financial year	**(71)**	(25)
(Expensed)/credited to profit or loss	**71**	(46)
At end of the financial year	**–**	(71)

The deferred tax liabilities were recognised as a result of difference in depreciation for tax purpose.

10. EARNINGS PER SHARE

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

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

	2020	2019
	S$'000	*S$'000*
(Loss)/profit for the year attributable to owners of the Company	**(4,569)**	14,862

	No. of shares	
	2020	2019
Weighted average number of ordinary shares in issue applicable to basic earnings per share (in thousands)	**1,600,000**	1,600,000
Basic and diluted earnings per share (S$ cents)	**(0.3)**	0.9

11. PROPERTY, PLANT AND EQUIPMENT

	Computers *S$'000*	Furniture and fittings *S$'000*	Motor vehicles *S$'000*	Plant and equipment *S$'000*	Leasehold improvement *S$'000*	Buildings on freehold land *S$'000*	Leasehold land and building under construction *S$'000*	Total *S$'000*
Cost:								
At 1 November 2018	732	163	2,537	1,713	56	3,067	–	8,268
Additions	141	13	1,060	248	4	–	14,312	15,778
Disposals	–	–	(92)	(80)	–	–	–	(172)
Transfer to Investment Property *(Note 12)*	–	–	–	–	–	(3,067)	–	(3,067)
At 31 October 2019 and 1 November 2019	873	176	3,505	1,881	60	–	14,312	20,807
Additions	140	3	566	299	–	–	5,633	6,641
Disposals	–	–	(913)	–	–	–	–	(913)
At 31 October 2020	1,013	179	3,158	2,180	60	–	19,945	26,535
Accumulated depreciation:								
At 1 November 2018	594	122	1,107	1,555	35	61	–	3,474
Depreciation for the year	94	27	343	122	10	–	–	596
Transfer to Investment Property *(Note 12)*	–	–	–	–	–	(61)	–	(61)
Disposals	–	–	(27)	(80)	–	–	–	(107)
At 31 October 2019 and 1 November 2019	688	149	1,423	1,597	45	–	–	3,902
Depreciation for the year	129	19	340	225	11	–	99	823
Disposals	–	–	(289)	–	–	–	–	(289)
At 31 October 2020	817	168	1,474	1,822	56	–	99	4,436
Net carrying amount:								
At 31 October 2019	185	27	2,082	284	15	–	14,312	16,905
At 31 October 2020	196	11	1,684	358	4	–	19,846	22,099

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 financial year, the borrowing costs capitalised as cost of leasehold land and building amounted to S$169,000. The rate used to determine the amount of borrowing costs eligible for capitalisation was from 1.75% to 2.95% per annum, which is the effective interest rate of the specific borrowing (Note 18).

Assets held under finance lease

The carrying amounts of the motor vehicles held under finance leases were S$1,073,000 as at 31 October 2019.

Assets pledged as security

The Group's leasehold land and building with a carrying amount of S$15,360,000 are mortgaged to secure the Group's bank loan (Note 17).

12. INVESTMENT PROPERTIES

	Freehold strata property unit *S$'000*	**Leasehold strata property unit** *S$'000*	**Total** *S$'000*
Cost:			
At 31 October 2019 and 1 November 2019	3,067	2,751	5,818
At 31 October 2020	3,067	2,751	5,818
Accumulated depreciation:			
At 31 October 2019 and 1 November 2019	122	299	421
Depreciation for the year	62	106	168
At 31 October 2020	184	405	589
Net carrying amount:			
At 31 October 2019	2,945	2,452	5,397
At 31 October 2020	2,883	2,346	5,229

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

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

	2020 *S$'000*	2019 *S$'000*
Rental income	**157**	37

Investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Valuation is made annually for impairment assessment purposes based on the property's highest-and-best use using the income and discounted cash flow methods. The fair value of the investment property as at the balance sheet date as determined by the independent professional valuer, is as follows:

	2020	2019
	S$'000	*S$'000*
#01-08, Loyang Enterprise Building Singapore	**2,500**	2,600
211 Henderson Road, #02-01	**3,500**	3,400

The fair values of the investment properties are determined by independent professional valuer, A Star Valuer Pte Ltd. The valuation is based on direct comparative approach after taking into consideration of recent sale of comparable properties, floor area, floor level, tenure and prevailing market conditions.

This valuation methods take into consideration significant inputs such as growth rate, capitalisation rate, terminal yield rate, discount rate and recent market transactions for similar properties in the same locations. In arriving at the estimates of market value, the valuers have used their market knowledge and professional judgment and not only relied on historical transactional comparable. The most significant input in this valuation approach is the selling price per square meter. The fair value did not result in material additional depreciation to be charged.

This fair value is within Level 3 of the fair value hierarchy.

13. TRADE AND RETENTION RECEIVABLES

	2020	2019
	S$'000	*S$'000*
Non-current		
– Loan receivable**	**2,931**	–
Current		
– Trade receivable*	**41,285**	60,008
– Loan receivable**	**3,601**	–
	44,886	60,008
Allowance for impairment	**(1,150)**	(600)
	43,736	59,408

* Included in trade receivable is retention receivables of S$2,664,000 and S$4,072,000 as at 31 October 2020 and 2019 respectively. Retention receivables will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention sums vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

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

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:

	2020	2019
	S$'000	*S$'000*
– Less than 3 months	**24,825**	26,194
– 3 to 6 months	**149**	10,661
– Over 6 months to 1 year	**6,160**	12,670
– More than 1 year	**16,683**	6,411
	47,817	55,936

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 S$600,000 made in the financial year ended 31 October 2018, and another S$550,000 in the financial year ended 31 October 2020, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group did not hold any collateral over these balances.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to S$35,818,000 as at 31 October 2019 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:

	2020	2019
	S$'000	*S$'000*
Trade receivables past due but not impaired:		
– Past due less than 3 months	**2,361**	8,700
– Past due 3 to 6 months	**1,344**	12,158
– Past due more than 6 months to 1 year	**6,121**	10,383
– Past due more than 1 year	**12,817**	4,577
	22,643	35,818

Expected credit losses

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

	Trade receivables *S$'000*	**Contract assets** *S$'000*	**Total** *S$'000*
Movement in allowance accounts:			
At 1 November 2018	600	–	600
Charge for the year	–	–	–
At 31 October 2019	600	–	600
Charge for the year	550	–	550
At 31 October 2020	1,150	–	1,150

Retention receivables

Retention receivables were not yet past due as at 31 October 2020 and 31 October 2019 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.

14. CONTRACT ASSETS/LIABILITIES

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

	2020 *S$'000*	2019 *S$'000*
Construction contracts:		
Contract assets	**31,480**	45,417
Contract liabilities	**19,791**	7,798

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

Included within contract assets is an amount of S$24,243,000 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.

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

	2020	2019
	S$'000	*S$'000*
Contract asset reclassified to receivables	**(19,138)**	(21,049)
Right to consideration for work completed but not yet billed	**5,201**	27,591

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

	2020	2019
	S$'000	*S$'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	**4,691**	14,290
Advance received from customers	**(16,684)**	(1,984)

(iii) Unsatisfied performance obligations:

	2020	2019
	S$'000	*S$'000*
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 October		
Construction contracts	**356,164**	307,986

Management expects that the transaction price allocated to the unsatisfied performance obligations as of 31 October 2020 may be recognised as revenue during the next three financial years. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal. As permitted under IFRS 15, the aggregate transaction price allocated to unsatisfied contracts of periods one year or less, is not disclosed.

15. CASH AND CASH EQUIVALENTS

	2020	2019
	S$'000	*S$'000*
Cash at banks	**46,962**	22,785
Short-term bank deposits	**16,040**	8,401
Cash and cash equivalents in the consolidated statement of cash flows	**63,002**	31,186

The carrying amounts of cash and cash equivalents denominated in United States Dollars and Hong Kong Dollars amounted to S$725,800 (2019: S$1,002,000) and S$397,000 (2019: S$737,000), 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 twelve months depending on the immediate cash requirement of the Group and earn interests at respective short-term deposit rates.

16. TRADE AND RETENTION PAYABLES, OTHER PAYABLES AND ACCRUALS

	2020	2019
	S$'000	*S$'000*
Current		
Trade payables	**12,669**	14,477
Retention payables	**12,429**	9,772
Accrued construction costs	**8,726**	9,841
	33,824	34,090
Deposits	**196**	230
Accrued expenses	**2,094**	2,760
Goods and services tax payables	**198**	301
Other payables	**3,447**	2,625
Deferred grant income	**640**	–
	6,575	5,916
Non-current		
Retention payables	**1,035**	1,506
Amount due to non-controlling shareholders	**2,058**	2,058

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

Deferred grant income relates mainly to government assistance under the Job Support Scheme program funded by the Singapore Government.

Amount due to non-controlling shareholders

The non-current portion pertains to loans from the non-controlling shareholders for the acquisition and redevelopment cost incurred by Regal Haus. This loan is interest free and are expected to be repaid in 2022.

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:

	2020	2019
Borrowing rates	**2.25%**	5.30%
Retention payables (S$'000)	**1,004**	1,308
Borrowing rates	**2.39%**	2.95%
Amount due to non-controlling shareholders (S$'000)	**1,982**	1,886

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

	2020	2019
	S$'000	*S$'000*
– Less than 3 months	**11,929**	13,562
– 3 to 6 months	**15**	37
– Over 6 months to 1 year	**84**	73
– More than 1 year	**641**	805
	12,669	14,477

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

Retention payables were not yet past due as at 31 October 2020 and 31 October 2019 and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

17. LEASES

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

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

	Motor vehicles	**Leasehold land**	**Total**
	S$'000	*S$'000*	*S$'000*
As at 1 November 2019	1,073	–	1,073
Additions	566	785	1,351
Disposals	(520)	–	(520)
Depreciation	(120)	(17)	(137)
As at 31 October 2020	999	768	1,767

Amounts recognised in statement of comprehensive income

	2020
	S$'000
Depreciation of right-of-use assets	**137**
Interest expense on lease liabilities	**17**
Expenses relating to short term leases (included in other expenses)	**235**

Total cash outflow

The Group had total cash outflows for leases of S$407,000 and non-cash additions to right-of-use assets and lease liabilities of S$785,000 in 2020. The Group had also acquired motor vehicles with an aggregate cost of S$566,000 of which S$342,000 was financed under a lease arrangement. Cash payments of S$224,000 were made to purchase motor vehicles.

18. BORROWINGS

	Maturity	**2020**	2019
		S$'000	*S$'000*
Current			
SGD Loan	2034	**720**	720
	2025	**1,676**	–
Non-Current			
SGD Loan	2034	**9,060**	9,780
	2025	**4,044**	–

The loan which matures on year 2034 is repayable over 180 monthly instalments commencing on 10 June 2019 and is interest bearing at 1% per annum above the bank's cost of funds in the first year and interest bearing at 1.2% per annum above the bank's cost of funds in the second year onwards.

The loan is secured by first mortgage over certain properties (Note 11) of the Group, corporate guarantee provided by a wholly-owned subsidiary of the Group, HPC Builders Pte. Ltd. and personal guarantees provided by the executive directors of the Company.

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.

The loan which matures on 2025 is repayable over 60 monthly instalments commencing on 23 November 2020 and is interest bearing at 2.25% per annum. The loan is secured by a corporate guarantee provided by the Company.

19. INVESTMENT IN SUBSIDIARIES

(a) Composition of the Group

Name of company (Country of incorporation)	Principal activities	Particulars of share capital	Percentage of equity held by the Group 2020 %	2019 %
Held by the Company				
HPC Investments Limited (British Virgin Islands)	Investment holding	US$1	**100**	100
DHC Investments Limited (British Virgin Islands)	Investment holding	US$1	**100**	100
Held through HPC Investments Limited				
HPC Builders Pte. Ltd. (Singapore)	General contractors	S$15,000,000	**100**	100
Held through DHC Investments Limited				
DHC Construction Pte. Ltd. (Singapore)	General contractors	S$3,000,000	**100**	100
Held through HPC Builders Pte. Ltd.				
[(1)] Regal Haus Pte. Ltd. (Singapore)	Investment holding and engineering design and consultancy services	S$510,000	**51**	51
Aasperon Venture Pte. Ltd.	Investment holding	S$1,300,000	**100**	100

[(1)] On 13 July 2018, the Group acquired 51% equity interest in a dormant company, Regal Haus Pte. Ltd.. The directors are of the view that the non-controlling interests of 49% in the subsidiary are not material to the Group for both the years ended 31 October 2019 and 31 October 2020.

(b) Acquisition of leasehold land and building

On 21 August 2020 (the "**acquisition date**"), a wholly-owned subsidiary of the Group, HPC Builders Pte. Ltd. ("**HPCB**") acquired 100% equity interest in Aasperon Venture Pte. Ltd. ("**AV**"), a company incorporated in Singapore. AV does not have any operations as at the date of acquisition except for an existing land lease arrangement with JTC Corporation ("**JTC**"). Under the lease agreement, AV is required to make monthly land lease payments to JTC. The lease payment amount is subject to annual market rental review and adjustment by the lessor but capped to a 5% increase compared to last preceding rent. Details on the associated lease liability and right-of-use asset on the land lease are disclosed in Note 17. The identifiable asset of AV as at the acquisition date is the leasehold building which has a fair value of S$3,800,000 at the date of acquisition. Total cash consideration paid for the acquisition is S$3,800,000.

The transaction was accounted for as an asset acquisition.

20. SHARE CAPITAL AND SHARE PREMIUM

Authorised ordinary shares

	Number of shares *'000*	Share capital *HK$'000*
As at 1 November 2018, 31 October 2019, 1 November 2019 and 31 October 2020	10,000,000	100,000

Ordinary shares

	Number of shares issued and fully paid *'000*	Share capital *S$'000*	Share premium *S$'000*
At 1 November 2018, 31 October 2019, 1 November 2019 and 31 October 2020	1,600,000	2,725	69,777

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

21. CAPITAL RESERVES

Reserves of the Group prior to completion of the Reorganisation, represents the share capital of HPC Builders Pte Ltd.. Reserves of the Group on completion of the Reorganisation represents the difference between the cost of investment of HPC Builders Pte Ltd., capital contribution from shareholder and the share capital of HPC Builders Pte Ltd..

22. COMMITMENTS

Operating lease commitments – where the Group is a lessor

The investment property is leased to a non-related party under non-cancellable operating lease.

The future minimum lease receivables under non-cancellable operating lease contracted for at the balance sheet date but not recognised as receivables, are as follows:

	2020	2019
	S$'000	*S$'000*
Within one year	**188**	188
Two to five years	**58**	246
	246	434

23. DIVIDENDS

The Board does not recommend to declare any final dividend for the year ended 31 October 2020.

	2020	2019
	S$'000	*S$'000*
Declared and paid during the financial year:		
Dividends on ordinary shares		
– Interim dividends	**–**	–