



HIAP SENG ENGINEERING LTD
(JUDICIAL MANAGERS APPOINTED)
(Company Registration No. 197100300Z)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2021

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A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Six Months Ended 30 September 2021

	<u>Note</u>	<u>Group</u>		
		<u>6 months ended</u>	<u>6 months ended</u>	<u>Changes</u>
		<u>30/09/2021</u>	<u>30/09/2020</u>	
		<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Revenue	5	13,029	17,888	(27.2)
Cost of services rendered		(11,111)	(14,377)	(22.7)
Gross profit		1,918	3,511	(45.4)
Gross profit margin		14.7%	19.6%	
Other income	7(a)	740	659	12.3
Administrative costs		(1,870)	(3,119)	(40.0)
Other gains - net	7(b)	191	547	(65.1)
Profit from operations		979	1,598	(38.7)
Finance costs	7(d)	(428)	(808)	(47.0)
Profit before tax		551	790	(30.3)
Income tax (expense)/credit	8	(34)	6	N.M.
Net profit after tax		517	796	(35.1)
<u>Discontinued operations</u>				
Loss from discontinued operations		-	(695)	(100.0)
Total profit for the year		517	101	411.9
Other comprehensive (loss)/ income				
Items that may be reclassified subsequently to profit or loss:				
- Currency translation differences arising from consolidation		439	270	62.6
Items that will not be reclassified subsequently to profit or loss:				
- Currency translation differences arising from consolidation		(3)	18	N.M.
Total comprehensive income for the period		953	389	145.0
Profit attributable to:				
Equity holders of the Company		632	275	129.8
Non-controlling interests		(115)	(174)	(33.9)
		517	101	411.9
Profit/(Loss) attributable to equity holders of the Company relates to:				
Profit from continuing operations		632	831	(23.9)
Loss from discontinued operations		-	(556)	(100.0)
		632	275	129.8
Total comprehensive income attributable to:				
Equity holders of the Company		1,315	545	141.3
Non-controlling interests		(362)	(156)	132.1
		953	389	145.0
<u>Earnings per share for profit for the period attributable to the owners of the Company during the year:</u>				
Basic (SGD in cent)		0.21	0.09	
Diluted (SGD in cent)		0.21	0.09	

Notes

N.M. – Not Meaningful

B. Condensed Statement of Financial Position as at 30 September 2021

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>Unaudited</u>		<u>Unaudited</u>	
		<u>As at</u>	<u>As at</u>	<u>As at</u>	<u>As at</u>
		<u>30/09/2021</u>	<u>31/03/2021</u>	<u>30/09/2021</u>	<u>31/03/2021</u>
		<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
ASSETS					
Current assets					
Cash and cash equivalents		18,488	14,126	12,470	9,197
Trade and other receivables		8,082	6,445	12,474	9,500
Contract assets		1,868	3,747	712	2,806
Other current assets		792	1,087	667	820
		<u>29,230</u>	<u>25,405</u>	<u>26,323</u>	<u>22,323</u>
Assets of disposal group classified as held-for-sale	14	-	6,295	-	993
		<u>29,230</u>	<u>31,700</u>	<u>26,323</u>	<u>23,316</u>
Non-current assets					
Investments in associated companies		274	274	-	-
Investments in subsidiaries		-	-	1,231	1,231
Property, plant and equipment		7,048	6,995	6,494	6,409
Financial assets, at FVOCI	10	1,289	1,289	1,289	1,289
		<u>8,611</u>	<u>8,558</u>	<u>9,014</u>	<u>8,929</u>
Total assets		<u>37,841</u>	<u>40,258</u>	<u>35,337</u>	<u>32,245</u>
LIABILITIES					
Current liabilities					
Trade and other payables		32,907	31,960	35,080	33,566
Provision for onerous contracts		96	114	27	44
Contract liabilities		136	107	129	100
Current income tax liabilities		20	376	9	13
Borrowings	12	25,768	25,860	20,768	20,823
Lease liabilities		1,010	789	1,010	777
		<u>59,937</u>	<u>59,206</u>	<u>57,023</u>	<u>55,323</u>
Liabilities of disposal group classified as held-for-sale	14	-	4,171	-	-
		<u>59,937</u>	<u>63,377</u>	<u>57,023</u>	<u>55,323</u>
Non-current liabilities					
Lease liabilities		1,134	821	1,134	821
		<u>1,134</u>	<u>821</u>	<u>1,134</u>	<u>821</u>
Total liabilities		<u>61,071</u>	<u>64,198</u>	<u>58,157</u>	<u>56,144</u>
NET LIABILITIES		<u>(23,230)</u>	<u>(23,940)</u>	<u>(22,820)</u>	<u>(23,899)</u>
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	13	36,178	36,178	36,178	36,178
Other reserves		1,047	606	(1,193)	(1,193)
Accumulated losses		(57,576)	(58,208)	(57,805)	(58,884)
		<u>(20,351)</u>	<u>(21,424)</u>	<u>(22,820)</u>	<u>(23,899)</u>
Non-controlling interests		(2,879)	(2,516)	-	-
TOTAL EQUITY		<u>(23,230)</u>	<u>(23,940)</u>	<u>(22,820)</u>	<u>(23,899)</u>

C. Condensed Interim Statements of Changes In Equity as at 30 September 2021

Group	Share capital	Other reserves	Accumulated loss	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 April 2021	36,178	606	(58,208)	(21,424)	(2,516)	(23,940)
Profit for the period	-	-	632	632	(115)	517
Other comprehensive loss for the period	-	439	-	439	(3)	436
Disposal of a subsidiary	-	2	-	2	(245)	(243)
Total comprehensive income/(loss) for the period	-	441	632	1,073	(363)	710
As at 30 September 2021	36,178	1,047	(57,576)	(20,351)	(2,879)	(23,230)
As at 1 April 2020	36,178	83	(53,801)	(17,540)	(2,132)	(19,672)
Loss for the period	-	-	275	275	(174)	101
Other comprehensive income for the period	-	270	-	270	18	288
Total comprehensive income/(loss) for the period	-	270	275	545	(156)	389
As at 30 September 2020	36,178	353	(53,526)	(16,995)	(2,288)	(19,283)

Company	Share capital	Other reserves	Accumulated loss	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 April 2021	36,178	(1,193)	(58,884)	(23,899)
Total comprehensive income for the period	-	-	1,079	1,079
As at 30 September 2021	36,178	(1,193)	(57,805)	(22,820)
As at 1 April 2020	36,178	(1,193)	(55,607)	(20,622)
Total comprehensive income for the period	-	-	2,411	2,411
As at 30 September 2020	36,178	(1,193)	(53,196)	(18,211)

D. Condensed Interim Consolidated Statement of Cash Flows as at 30 September 2021

	Group	
	Unaudited	
	6 months ended 30/09/2021	6 months ended 30/09/2020
	S\$'000	S\$'000
Cash flows from operating activities:		
Total profit after tax	517	101
Adjustments for:		
Income tax expense/(credit)	34	(6)
Depreciation	1,187	2,437
Net gain on disposal of property, plant and equipment	(123)	(459)
Net gain on disposal of club membership	-	(10)
Net gain on disposal of a subsidiary	(24)	(204)
Property, plant and equipment written off	2	7
Impairment of other receivables and trade receivables	21	-
Unrealised currency translation losses	496	472
Interest expense	428	808
Interest income	(3)	(1)
	2,535	3,145
Change in working capital, net of effects from acquisition and disposals		
Contract assets	1,879	631
Trade and other receivables	(729)	9,807
Other current assets	295	(159)
Contract liabilities	28	(205)
Trade and other payables	532	(6,989)
Cash generated from operations	4,540	6,230
Income tax paid	(390)	(8)
Net cash provided by operating activities	4,150	6,222
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	146	779
Proceeds from disposal of club membership	-	115
Purchases of property, plant and equipment	(24)	(13)
Disposal of a subsidiary, net of cash disposed	15	(26)
Interest received	3	1
Net cash generated from investing activities	140	856
Cash flows from financing activities		
Interest paid	(30)	(152)
Net repayment of bank financing (trust receipts)	-	(348)
Repayment of bank borrowings	(75)	(370)
Repayment of lease liabilities	(699)	(748)
Net cash used in by financing activities	(804)	(1,618)
Net increase in cash and cash equivalents	3,486	5,460
Effect of currency translation on cash and cash equivalents	(47)	(105)
Beginning of the financial period	15,049	(391)
End of the financial period	18,488	4,964
Cash and cash equivalents represented by:		
Bank and cash balances	18,488	5,806
Less: Bank overdrafts	-	(842)
	18,488	4,964

E. Notes to the Condensed Interim Consolidated Financial Statements

1. Corporate information

Hiap Seng Engineering Ltd (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 28 Tuas Crescent, Singapore 638719.

These condensed interim consolidated financial statements as at and for the six months ended 30 September 2021 comprise the Company and its subsidiaries (collectively, the “Group”).

The principal activities of the Group consist of the provision of building construction, engineering, procurement, construction and plant maintenance services for oil and gas and energy sectors and, provision of process and industrial plant engineering and consultancy services.

The Company has been placed under judicial management since 15 September 2020 and Judicial Managers (“JMs”) were appointed. Since then, the JMs have been managing the affairs, business and properties of the Company in order to achieve, amongst others, the survival of the Company, a more advantageous realisation of the assets of the Company than in a winding up and a restructuring of the debts and liabilities via a scheme of arrangement with its creditors and principal lender. The JM Order has since been extended to 8 March 2023.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) 34 *Interim Financial Reporting* (SFRS(I) 1-34) issued by the Accounting Standards Council Singapore.

The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last announced unaudited financial statements for the year ended 31 March 2021 on 25 October 2022 on the SGX-Net.

The accounting policies adopted are consistent with those of the previous financial year, which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollars, which is the Company’s functional currency.

Going concern

The condensed interim financial statements have been prepared on a going concern basis, which assumes that the Group and the Company will be able to meet its obligations as and when they fall due in the next twelve months from the end of the reporting period.

On 15 September 2020, the Company and its subsidiary, HS Compression & Process Pte Ltd (“HSCP”) were placed under judicial management. The objectives of the judicial management order are to achieve one or more of the following purposes:

- (a) Survival of the Company, or the whole or part of its undertaking as a going concern;
- (b) The approval under Section 210 of the Companies Act 1967 or Section 71 of the Insolvency, Restructuring and Dissolution Act 2018 of a compromise or arrangement between the Company and any such persons as mentioned in those sections; and/or
- (c) A more advantageous realisation of the Company’s assets than on winding up.

During the judicial management period, there was a stay on all suits, proceedings, claims etc. against the Company, except with the consent of the JMs or with the leave of Court. The unsecured debts and liabilities owing to the principal lender and unsecured claims from creditors (collectively, the “Creditors”) prior to 15 September 2020 would be addressed/restructured via a Scheme of Arrangement.

E. Notes to the Condensed Interim Consolidated Financial Statements

2. Basis of preparation (continued)

On 7 January 2022, the Company entered into a Conditional Subscription Agreement (“CSA”) with a group of investors, for which the salient terms of the proposed investment by the investors (the “Proposed Transaction”) have been announced by the Company on the same day via SGX-Net.

On 7 March 2022, the Court ordered for HSCP to be wound up and given that HSCP has ceased all its operations, the judicial management order was discharged accordingly.

On 18 August 2022, the Company entered into a restructuring deed with the principal lender, and the investors. The restructuring deed prescribes how the Company’s liabilities due to the principal lender will be discharged or provided for. Upon successful completion of the Proposed Transaction, the Company will utilise the proceeds from the investments by the investors for the partial settlement of the principal amounts and interests under the loans owing to the principal lender prior to 15 September 2020.

The remaining unsecured amounts of the principal lender will be restructured together with the other unsecured creditors who had filed Proofs of Debt (together the “Scheme Debt”) via the Scheme, which was sanctioned on 29 August 2022 by the Court.

Under the Scheme, the Scheme Debt will be partially settled by way of a cash distribution and issuance of settlement shares. The remaining Scheme Debt shall be irrevocably and forever released, discharged and extinguished upon the successful completion of the Proposed Transaction and Scheme implementation post-restructuring. The aforesaid Scheme is one of conditions precedent referred to in the CSA, and the approval of the Scheme fulfils one of the anticipated steps to complete the restructuring exercise of the Company.

The Court has also on 29 August 2022 granted the extension of the judicial management order for the Company till 8 March 2023 to allow the Company to complete the Proposed Transaction with the investors.

Upon successful completion of the Proposed Transaction and post restructuring, the Directors/JMs and the management believe that the Group is able to generate sufficient cash flows from its operating activities to meet its liabilities. In addition, the Group also plan to undertake a rights issue exercise to raise up to S\$3.3 million upon completion of the Proposed Transaction. In this respect, the Group believes that its liabilities and working capital needs can be met as and when they fall due in the next 12 months from the date of this report.

Cash flows from operating activities

The Management has taken the following steps and measures to sustain and improve the Group’s operational performance and financial position:

- Continue to source for upcoming shutdown and maintenance contracts;
- Implement cost containment measures;
- Renew relationships with past customers and the provision of comprehensive scale of services to clients, including supporting their green initiatives;
- Close down/divest the Company’s non-core investments to reduce overheads; and
- Explore available options in utilising any part of the premises/assets for value.

Notwithstanding the Directors/JMs and management’s belief that the use of going concern assumption in the preparation of the financial statements is appropriate, there are possible uncertainties over the completion of the Proposed Transaction as it is subjected to a number of condition precedents to be fulfilled, eg. regulatory bodies’ and shareholders’ approvals amongst others.

If for any reason the Group and the Company are unable to continue as a going concern, this could impact the Company’s ability to realise its assets at book values and adjustments may have to be made to provide for any potential/future losses and liabilities which might arise.

E. Notes to the Condensed Interim Consolidated Financial Statements

2. Basis of preparation (continued)

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated unaudited financial statements for the year ended 31 March 2021 as announced on 25 October 2022 on SGX-Net.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial interim period are disclosed in Note 3.

3. Critical accounting estimates, assumptions and judgements

The key assumptions concerning the future and other critical accounting estimates at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next interim period are discussed below.

Estimation of total contract costs

The Group has ongoing contracts to construct plant and equipment and render shutdown maintenance services. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the plant and equipment or the shutdown maintenance services. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract cost ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of contract revenue. When it is probable that the total contract costs will exceed the total contract revenue, a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has applied its past experience of completing similar projects, as well as quotations from and contracts with suppliers and sub-contractors. These estimations are also made with due consideration of the circumstances and relevant events that were known to management at the date of these financial statements. Total project costs may also be affected by factors such as uncertainties in contract execution, variation in scope of works and acceptance of claims by customers.

E. Notes to the Condensed Interim Consolidated Financial Statements

3. Critical accounting estimates, assumptions and judgements (continued)

Critical judgement over the lease terms

As at 30 September 2021, the Group's lease liabilities, which are measured with reference to estimates of the lease terms, amounted to S\$2,144,000. Extension options are included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option.

For leases of land and factories with conditional extension of lease terms, the Group considers the likelihood of fulfilling those conditions within the prescribed timeline given its financial position.

4. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period from 1 April 2021 to 30 September 2021.

5. Segment information

Management together with the JMs have determined the operating segments based on the reports that are used to make strategic decisions. Management comprises the Chief Executive Officer and Executive Director, Chief Financial Officer and the general managers of each business segment.

Management considers the business mainly from the following two business segments:

- (i) Plant construction and maintenance and
- (ii) Compression and process equipment fabrication.

Other services include investment holding but this is not included within the reportable operating segments as it is not included in the reports provided to the management.

The segment information provided to the management team for the reportable segments for the period ended 30 September 2021 and 30 September 2020 is as follows:

5.1 Reportable segments

	Plant construction & maintenance		Compression & process equipment fabrication		Total	
	As at 30/09/2021	As at 30/09/2020	As at 30/09/2021	As at 30/09/2020	As at 30/09/2021	As at 30/09/2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue						
Revenue from external parties	13,028	15,577	1	2,311	13,029	17,888
Adjusted EBITDA	2,603	4,337	(440)	(489)	2,163	3,848
Depreciation	(1,187)	(2,240)	-	(11)	(1,187)	(2,251)
Segment assets	33,896	35,261	2,656	8,394	36,552	43,655
Segment assets include:						
Investment in associated companies	274	274	-	-	274	274
Additions to:						
Property, plant and equipment	24	13	-	-	24	13
Segment liabilities	(12,569)	(13,208)	(20,570)	(22,613)	(33,139)	(35,821)

E. Notes to the Condensed Interim Consolidated Financial Statements

5. Segment information (continued)

5.2 A reconciliation of adjusted EBITDA to profit before tax is provided as below –

	6 months ended 30/9/2021	6 months ended 30/9/2020
	\$'000	\$'000
EBITDA	2,163	3,848
Depreciation	(1,187)	(2,251)
Finance expense	(428)	(808)
Interest income	3	1
Profit before tax and discontinued operations	<u>551</u>	<u>790</u>

5.3 Segments' assets are reconciled to total assets as follows –

	As at 30/9/2021	As at 30/9/2020
	\$'000	\$'000
Segment assets for reportable segments	36,552	43,655
Assets of disposal group classified as held for sale	-	6,893
Financial assets, at FVOCI	1,289	1,289
Club membership	-	148
Total assets	<u>37,841</u>	<u>51,985</u>

5.4 Segments' liabilities are reconciled to total liabilities as follows –

	As at 30/9/2021	As at 30/9/2020
	\$'000	\$'000
Segment liabilities	33,139	35,821
Borrowings	25,768	27,110
Lease liabilities	2,144	2,430
Liabilities of disposal group classified as held for sale	-	5,161
Current income tax liabilities	20	28
Deferred tax liabilities	-	718
Total liabilities	<u>61,071</u>	<u>71,268</u>

E. Notes to the Condensed Interim Consolidated Financial Statements

5.5 Disaggregation of Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following revenue streams.

	Over time			Total
	At a point in time	Plant construction & maintenance	Compression & process equipment fabrication	
	S\$'000	S\$'000	S\$'000	
For period ended 30 September 2021				
Rendering of maintenance services	-	5,988	-	5,988
Shutdown maintenance	-	2,223	-	2,223
Construction of plant and equipment	-	4,048	-	4,048
Others	770	-	-	770
Total	770	12,259	-	13,029
For period ended 30 September 2020				
Rendering of maintenance services	-	6,961	-	6,961
Shutdown maintenance	-	2,032	-	2,032
Construction of plant and equipment	-	6,458	2,312	8,770
Others	125	-	-	125
Total	125	15,451	2,312	17,888

Geographical information

	Revenue		Non-current assets	
	As at 30/09/2021	As at 30/09/2020	As at 30/09/2021	As at 30/09/2020
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	10,831	12,795	8,058	9,983
Malaysia	-	395	-	-
Thailand	-	1,228	-	8,621
Vietnam	-	7	-	-
United Arab Emirates	2,183	587	172	259
Other countries	15	2,876	381	395
Total	13,029	17,888	8,611	19,258

6. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 September 2021 and 31 March 2021.

	Group		Company	
	As at 30/09/2021	As at 31/03/2021	As at 30/09/2021	As at 31/03/2021
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets				
Cash and cash equivalents, at amortised cost	18,488	15,086	12,470	9,197
Trade and other receivables, at amortised cost	8,082	8,529	12,474	9,500
Deposits	425	535	304	376
	26,995	24,150	25,248	19,073
Financial liabilities				
Borrowings, at amortised cost	25,768	25,860	20,768	20,823
Trade and other payables, at amortised cost	32,907	33,918	35,080	33,566
Lease liabilities, at amortised cost	2,144	1,610	2,144	1,598
	60,819	61,388	57,992	55,987

E. Notes to the Condensed Interim Consolidated Financial Statements

7. Profit before taxation

	Group	
	6 months ended 30/09/2021	6 months ended 30/09/2020
	S\$'000	S\$'000
(a) Other income		
Interest income	3	1
Rental of equipment	242	163
Premise rental income	495	495
Total other income	740	659
(b) Other gains - net		
Allowance for impairment of financial assets	(21)	-
Currency exchange loss - net	(63)	(204)
Net gain on disposal of property, plant and equipment	123	459
Property, plant and equipment written off	(2)	(7)
Net gain on disposal of subsidiaries	24	204
Net gain on disposal of club membership	-	10
Sundry gain	130	85
	191	547
(c) Included in the cost of services rendered and administrative expenses are:		
Foreign workers levy rebate (recorded in cost of services rendered)	-	1,851
Government grant (recorded in administrative expenses)	1,670	1,782
Depreciation	(1,187)	(2,251)
(d) Finance costs		
- Interest expenses on bank overdrafts	-	5
- Interest expenses on bank borrowings	399	748
- Interest expenses on lease liabilities	29	55
	428	808

Related party transactions

The following related party transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	6 months ended 30/09/2021	6 months ended 30/09/2020
	S\$'000	S\$'000
Sales and purchases of goods and services		
Computer maintenance fees paid to an associated company	36	155

E. Notes to the Condensed Interim Consolidated Financial Statements

8. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	6 months ended 30/09/2021	6 months ended 30/09/2020
	S\$'000	S\$'000
Current income tax expense/(credit)	34	(6)

9. Net asset value

	Group		Company	
	As at 30/09/2021	As at 31/03/2021	As at 30/09/2021	As at 31/03/2021
Net asset value per ordinary share (in cents)	(6.70)	(7.05)	(7.51)	(7.87)

10. Financial assets at fair value through other comprehensive income

	Group and Company	
	As at 30/09/2021	As at 31/03/2021
	S\$'000	S\$'000
Beginning and end of financial period/year	1,289	1,289

The financial assets at FVOCI comprised an investment in unlisted equity securities in Vietnam, which is classified as Level 3 of the fair value measurement hierarchy (Note 10.1).

The Group estimates the fair value of financial assets at FVOCI classified as Level 3 by reference to its share in the investee's Net Asset Value ("NAV"), which is a significant unobservable input in the valuation of the financial assets. Adjustments, using appropriate measures to fair value the underlying assets and liabilities, are applied to NAV where applicable. The investee's NAV comprises the sum of the fair value of the cash and other assets less any liabilities.

The Group's Chief Financial Officer reviews the appropriateness and reliability of the fair value of the financial assets and the Group's share in the investee's NAV, for financial reporting purposes.

An increase/decrease in the NAV of the investee will lead to an increase/decrease in the fair value of financial assets at FVOCI of the Group.

10.1. Fair value measurement

The Group classifies financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

E. Notes to the Condensed Interim Consolidated Financial Statements

11. Property, plant and equipment

During the six months ended 30 September 2021, the Group acquired assets amounting to S\$24,000 (30 September 2020: S\$13,000) and disposed of assets with carrying amounts of S\$23,000 (30 September 2020: S\$320,000)

12. Borrowings

	Group	
	As at 30/09/2021	As at 31/03/2021
	S\$'000	S\$'000
<u>Amount repayable in one year or less, or on demand</u>		
Secured	25,768	25,860

The Group's borrowings are secured by a mortgage of certain land and buildings of the Group, corporate guarantee by the Company, legal charge over the Company's bank operating account and all monies over the accounts receivables' contract and proceeds in respect of the projects financed by the bank.

The Group has classified the outstanding borrowings amounting to \$25,768,000 as at 30 September 2021, as "Current Liabilities" as the Company has breached certain covenant requirement and the repayment of the borrowings are on a short term basis.

13. Share capital

	The Group and the Company			
	As at 30/09/2021		As at 31/03/2021	
	Number of shares '000	Amount S\$'000	Number of shares '000	Amount S\$'000
<u>Issued and fully paid ordinary shares</u>				
As at beginning and end of the financial period/ year	303,750	36,178	303,750	36,178

The Company did not hold any treasury shares as at 30 September 2021.

The Company's subsidiaries do not hold any shares in the Company as at 30 September 2021 and 31 March 2021.

14. Discontinued operations and disposal group classified as held for sale

On 2 June 2021, the Company entered into a Conditional Sales Agreement to dispose its 80% interest in Hiap Seng Engineering Limited FZC to the existing shareholders at a consideration of AED 2,700,000 with contracted handover date being 1 April 2021. The effects of the disposal on the Group were as follows:

	Group S\$'000
Cash and cash equivalent	960
Trade and other receivables	2,084
Other current assets	284
Contract assets	408
Property plant and equipment	2,559
Total assets	<u>6,295</u>
Trade and other payables	(1,958)
Contract liabilities	(2,213)
Total liabilities	<u>(4,171)</u>
Net assets disposed off	<u>2,124</u>

E. Notes to the Condensed Interim Consolidated Financial Statements

14. Discontinued operations and disposal group classified as held for sale (continued)

	<u>Group</u> <u>S\$'000</u>
<u>Cash outflows arising from disposal of a subsidiary:</u>	
Net assets disposed	2,124
Less amount owing to the Group	(930)
Net amount disposed	<u>1,194</u>
Less Non-controlling interests	(242)
Gain on disposal of a subsidiary	23
Less cash and cash equivalent of subsidiary disposed of	<u>(960)</u>
Net cash proceeds from disposal of a subsidiary	<u>15</u>

15. Subsequent events

There are no known material subsequent events, which have resulted in adjustments to this set of interim financial statements.

F. Other information required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated statement of financial position of the Group as at 30 September 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Half Year (HY2022) Review

Revenue for HY2022 was S\$13.0 million, 27.2% lower than the revenue for HY2021 of S\$17.9 million, largely attributable to the scaled down activities in Thailand and the Group did not take on any new projects relating to compression and process equipment.

The Group's gross profit margin decreased to 15% in HY2022 as compared to HY2021 of 20% mainly due to the non-recurring nature of foreign worker levy rebate of \$1.9 million received in HY2021. Excluding this rebate, the gross profit margin for HY2022 would be higher than of HY2021's gross profit margin of 9.3%, as a result of higher volume of maintenance service activities carried out by the Company.

The Group's other income of S\$0.7 million in HY2022 mainly comprised of rental income.

The administrative costs had further reduced from S\$3.1 million in HY2021 to S\$1.9 million in HY2022 due to the scaled down activities for the compression and process segment and Thailand during this period.

The Group's other gains had reduced by 65.1% or S\$0.3 million, from S\$0.5 million in HY2021 to S\$0.2 million in HY2022. This was mainly due to the lower gain on disposal of property, plant and equipment recorded in HY2022 compared to the prior period.

As a result of the above factors, there was an improvement in the Group's profit attributable to shareholders from S\$0.1 million in HY2021 to S\$0.5 million in HY2022.

Balance Sheet Review

Excluding the group of assets classified as held for disposal, the Group's current assets increased by \$3.8 million largely due to the improvement in cash and cash equivalent balance, and trade & other receivables as a result of higher volume of maintenance service activities carried out during the period.

The Group's lease liabilities increased as at 30 September 2021 as the Company obtained further extension from Jurong Town Corporation.

Cash Flow Statement Review

The Group reported a net increase in cash and cash equivalents of S\$3.5 million mainly due to net cash generated from operating and investing activities of S\$4.2 million and S\$0.1 million respectively, which was offset by the net cash used in financing activities of S\$0.8 million.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement was disclosed to shareholders for the financial period ended 30 September 2021.

F. Other information required by Listing Rule Appendix 7.2

4. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The COVID-19 pandemic coupled with the Ukraine-Russia conflict has had a major impact globally, affecting supply chains as well as causing inflation to many economies.

Several oil majors are now focusing on margin preservation leading to a reduction on capital expenditures. Major uplift in planned spending are forecasted further out into 2023 and beyond. With commitments made at COP26, all the oil majors have started to look into green energy alternatives. Opportunities for the Group lie within the construction of green energy plants, and the maintenance of these new facilities.

JM Order has been made in relation to the Company on 15 September 2020 and Mr. Lin Yueh Hung and Ms. Oon Su Sun have been appointed as joint and several Judicial Managers of the Company by the High Court of Singapore.

After a vigorous investor search process and discussions with numerous parties, the Company entered into a CSA with a group of investors on 7 January 2022, for which the salient terms of the Proposed Transaction are set out in the Company's announcement posted on the SGX-Net.

On 7 March 2022, the High Court of Singapore ordered HSCP to be wound up, given that it has ceased all its operations and the judicial management order was discharged accordingly. An extension of the judicial management order for the Company was granted by the High Court of Singapore until 9 September 2022, and subsequently on 29 August 2022, the judicial management order was further extended to 8 March 2023, so as to allow the Company to complete the Proposed Transaction with the investors.

Upon successful completion of the Proposed Transaction and post restructuring, the Company is confident and strongly believe that the Group is able to generate sufficient cash flows from its operating activities to meet its ongoing liabilities. In addition, the Group also plans to undertake a rights issue exercise to raise up to S\$3.3 million upon completion of the Proposed Transaction. In this respect, the Group believes that its liabilities and working capital needs can be met as and when they fall due.

5. Dividend information

(a) Current Financial Period Reported on

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediate Preceding Financial Year

Any dividend declared for the corresponding period of the immediate preceding financial year?

No.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

(e) If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been recommended for the period ended 30 September 2021 as the Company has no sufficient retained earnings to declare and issue dividends.

F. Other information required by Listing Rule Appendix 7.2

6. Interested person transactions (“IPT”)

The Group has not obtained a general mandate from shareholders of the Company for IPT.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers under Rule 720(1)

The Company has received the undertakings from all its directors and executive officers (in the format as set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the SGX-ST.

8. Confirmation pursuant to Rule 705(5).

The Board of Directors hereby confirms to the best of knowledge that nothing has come to their attention, which may render the interim financial statement for the six-month period ended 30 September 2021 to be false or misleading in any material aspect.

9. Disclosure on Acquisition and Realisation pursuant to Rule 706A

Please refer to note 14 with reference to the announcement made via the SGX-Net.

Onn Su Sun and Lin Yueh Hung
Joint and Several Judicial Managers
9 November 2022