



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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS AND FULL YEAR ENDED
31 MARCH 2022

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A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Six Months and Full Year Ended 31 March 2022

	Note	Group			Group		
		(Unaudited)	(Unaudited)	Changes	(Unaudited)	(Audited)	Changes
		6 months ended 31/03/2022	6 months ended 31/03/2021		12 months ended 31/03/2022	12 months ended 31/03/2021	
SS'000	SS'000	%	SS'000	SS'000	%		
Revenue	5	14,386	11,504	25	27,415	29,392	(7)
Cost of services rendered		(9,787)	(17,070)	(43)	(20,898)	(31,447)	(34)
Gross profit/(loss)		4,599	(5,566)	N.M.	6,517	(2,055)	N.M.
Gross profit/(loss) margin		32%	-48%		24%	-7%	
Other income	7(a)	499	531	(6)	1,239	1,190	4
Administrative expenses		(3,900)	(4,669)	(17)	(5,770)	(7,788)	(26)
Other gain/(losses) – net	7(b)	5,084	3,550	43	5,275	4,097	29
Finance costs	7(d)	(447)	(457)	(2)	(875)	(1,265)	(31)
Share of profit/(loss) of associated companies		(12)	19	N.M.	(12)	19	N.M.
Profit/(loss) before income tax		5,823	(6,592)	N.M.	6,374	(5,802)	N.M.
Income tax (expenses)/ credit	8	(53)	559	N.M.	(87)	565	N.M.
Profit/(loss) from continuing operations		5,770	(6,033)	N.M.	6,287	(5,237)	N.M.
<u>Discontinued operation</u>							
Profit/(Loss) from discontinued operations		-	569	(100.0)	-	(126)	(100.0)
Total profit/(loss)		5,770	(5,464)	N.M.	6,287	(5,363)	N.M.
Other comprehensive income/(loss)							
Items that may be reclassified subsequently to profit or loss:							
– Currency translation differences arising from consolidation		134	253	(47)	573	523	10
Items that will not be reclassified subsequently to profit or loss:							
– Currency translation differences arising from consolidation		(5)	(40)	(88)	(8)	(22)	(64)
– Fair value losses – equity investments		113	(12)	N.M.	113	(12)	N.M.
Total comprehensive income/(loss)		6,012	(5,263)	N.M.	6,965	(4,874)	N.M.
Profit/(Loss) attributable to:							
Equity holders of the Company		5,811	(5,292)	N.M.	6,443	(5,017)	N.M.
Non-controlling interests		(41)	(172)	(76)	(156)	(346)	(55)
		5,770	(5,464)	N.M.	6,287	(5,363)	N.M.
Profit/(Loss) attributable to equity holders of the Company relates to:							
Profit/(Loss) from continuing operations		5,811	(5,747)	N.M.	6,443	(4,916)	N.M.
Profit/(Loss) from discontinued operations		-	455	(100.0)	-	(101)	(100.0)
		5,811	(5,292)	N.M.	6,443	(5,017)	N.M.
Total comprehensive income/(loss) attributable to:							
Equity holders of the Company		6,058	(5,051)	N.M.	7,129	(4,506)	N.M.
Non-controlling interests		(46)	(212)	(78)	(164)	(368)	(55)
		6,012	(5,263)	N.M.	6,965	(4,874)	N.M.
N.M. not meaningful							
Basic and diluted profit/(loss) per share							
From continuing operations		1.9	(1.9)		2.1	(1.6)	
From discontinued operation		-	0.2		-	(*)	

A. Condensed Interim Statement of Financial Position as at 31 March 2022

	Note	Group		Company	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
		As at 31/03/2022	As at 31/03/2021	As at 31/03/2022	As at 31/03/2021
		S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Current assets					
Cash and cash equivalents		15,120	14,126	11,766	9,197
Trade and other receivables		10,306	7,168	15,125	9,500
Contract assets		964	3,747	63	2,806
Other current assets		868	1,087	767	820
		<u>27,258</u>	<u>26,128</u>	<u>27,721</u>	<u>22,323</u>
Assets of disposal group classified as held-for-sale	14	-	6,295	-	993
		<u>27,258</u>	<u>32,423</u>	<u>27,721</u>	<u>23,316</u>
Non-current assets					
Investments in associated companies		262	274	-	-
Investments in subsidiaries		-	-	615	1,231
Property, plant and equipment		4,952	6,995	4,494	6,409
Financial assets, at FVOCI	10	813	700	813	700
		<u>6,027</u>	<u>7,969</u>	<u>5,922</u>	<u>8,340</u>
Total assets		<u>33,285</u>	<u>40,392</u>	<u>33,643</u>	<u>31,656</u>
LIABILITIES					
Current liabilities					
Trade and other payables		32,628	31,321	32,617	32,696
Provision for onerous contracts		-	114	-	44
Contract liabilities		113	107	108	100
Current income tax liabilities		-	376	-	13
Borrowings	12	14,281	26,901	14,281	21,693
Lease liabilities		764	789	764	777
		<u>47,786</u>	<u>59,608</u>	<u>47,770</u>	<u>55,323</u>
Liabilities of disposal group classified as held-for-sale	14	-	4,171	-	-
		<u>47,786</u>	<u>63,779</u>	<u>47,770</u>	<u>55,323</u>
Non-current liabilities					
Lease liabilities		-	821	-	821
		<u>-</u>	<u>821</u>	<u>-</u>	<u>821</u>
Total liabilities		<u>47,786</u>	<u>64,600</u>	<u>47,770</u>	<u>56,144</u>
NET LIABILITIES		<u>(14,501)</u>	<u>(24,208)</u>	<u>(14,127)</u>	<u>(24,488)</u>
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	13	36,178	36,178	36,178	36,178
Other reserves		806	17	(1,669)	(1,782)
Accumulated losses		(51,485)	(57,928)	(48,636)	(58,884)
		<u>(14,501)</u>	<u>(21,733)</u>	<u>(14,127)</u>	<u>(24,488)</u>
Non-controlling interests		-	(2,475)	-	-
TOTAL EQUITY		<u>(14,501)</u>	<u>(24,208)</u>	<u>(14,127)</u>	<u>(24,488)</u>

B. Condensed Interim Statements of Changes In Equity as at 31 March 2022

<u>Group</u>	<u>Share capital</u>	<u>Other reserves</u>	<u>Accumulated loss</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 April 2021	36,178	17	(57,928)	(21,733)	(2,475)	(24,208)
Profit for the year	-	-	6,443	6,443	(156)	6,287
Other comprehensive income for the year	-	686	-	686	(8)	678
Total comprehensive income/(loss) for the year	-	686	6,443	7,129	(164)	6,965
Reclass upon disposal of subsidiaries	-	103	-	103	-	103
Disposal of controlling interest in subsidiaries	-	-	-	-	2,639	2,639
Total transactions with owners, recognised directly in equity	-	103	-	103	2,639	2,742
As at 31 March 2022	36,178	806	(51,485)	(14,501)	-	(14,501)
As at 1 April 2020	36,178	(494)	(52,911)	(17,227)	(2,107)	(19,334)
Loss for the year	-	-	(5,017)	(5,017)	(346)	(5,363)
Other comprehensive income for the year	-	511	-	511	(22)	489
Total comprehensive loss for the year	-	511	(5,017)	(4,506)	(368)	(4,874)
As at 31 March 2021	36,178	17	(57,928)	(21,733)	(2,475)	(24,208)

<u>Company</u>	<u>Share capital</u>	<u>Other reserves</u>	<u>Accumulated loss</u>	<u>Total equity</u>
	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 April 2021	36,178	(1,782)	(58,884)	(24,488)
Total comprehensive income for the year	-	113	10,248	10,361
As at 31 March 2022	36,178	(1,669)	(48,636)	(14,127)
As at 1 April 2020	36,178	(1,193)	(55,607)	(20,622)
Total comprehensive loss for the year	-	(589)	(3,277)	(3,866)
As at 31 March 2021	36,178	(1,782)	(58,884)	(24,488)

C. Condensed Interim Consolidated Statement of Cash Flows as at 31 March 2022

	Group	
	(Unaudited)	(Audited)
	As at 31/03/2022 S\$'000	As at 31/03/2021 S\$'000
Cash flows from operating activities:		
Total profit/(loss)	6,287	(5,363)
Adjustments for:		
Income tax expense/(credit)	87	(565)
(Write back of)/allowance for impairment of financial assets and contract assets	(65)	243
Depreciation of property, plant and equipment	2,320	4,612
Loss on lease modification	-	147
Net gain on disposal of property, plant and equipment	(4,633)	(4,390)
Property, plant and equipment written off	72	13
Net gain on disposal of club membership	-	(35)
Net gain on disposal of subsidiaries	(586)	(204)
Unrealised currency translation losses	630	559
Interest expense	875	1,265
Interest income	(3)	(2)
Dividend income	-	(35)
Share of loss/(profit) of associated companies	12	(19)
	4,996	(3,774)
Change in working capital, net of effects from disposal of subsidiaries:		
Contract assets	2,783	5,842
Trade and other receivables	(2,977)	11,537
Other current assets	116	2,034
Contract liabilities	255	(3,347)
Trade and other payables and provisions	3,130	(7,727)
Cash generated from operations	8,303	4,565
Income tax paid	(460)	-
Net cash provided by operating activities	7,843	4,565
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	4,759	13,877
Purchases of property, plant and equipment	(48)	(292)
Proceeds from disposal of club membership	-	288
Interest received	3	2
Disposal of subsidiaries, net of cash disposed	(680)	(26)
Net cash provided by investing activities	4,034	13,849
Cash flows from financing activities		
Interest paid	(66)	(251)
Net repayment of bank financing (trust receipts)	(872)	(795)
Repayment of bank borrowings	(9,551)	(370)
Repayment of principal portion of lease liabilities	(1,260)	(1,440)
Net cash used in financing activities	(11,749)	(2,856)
Cash and cash equivalents		
Net increase in cash and cash equivalents	128	15,558
Effect of currency translation on cash and cash equivalents	(57)	(118)
Beginning of the financial year	15,049	(391)
End of the financial year	15,120	15,049
Cash and cash equivalents represented by:		
Bank and cash balances	15,120	14,126
Cash and cash equivalents of discontinued operation classified as held-for-sale	-	960
Less: Bank overdrafts	-	(37)
	15,120	15,049

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 consolidated financial statements as at and for the six months and full year ended 31 March 2022 comprise the Company and its subsidiaries (collectively, the “Group”).

The principal activities of the Company 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.

On 15 September 2020, the Company and its subsidiary, HS Compression & Process Pte Ltd (in Compulsory Liquidation) (“HSCP”), were placed under Judicial Management. During this period, all powers conferred and duties imposed on the Directors of the Company by the Insolvency, Restructuring and Dissolution Act 2018 or the Companies Act 1967 or by the constitution of the Company, must be exercised and performed by the Judicial Managers and not by the Directors.

2. Basis of preparation

The condensed interim financial statements for the six months and full year ended 31 March 2022 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 audited financial statements for the financial year ended 31 March 2021.

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.

As at 31 March 2022, the Group and the Company reported a net current liabilities position of \$20,528,000 and \$20,049,000 respectively. In addition, the Group and the Company were in net liabilities position of \$14,501,000 and \$14,127,000 respectively.

Judicial Management

On 15 September 2020, the Company and its subsidiary, 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.

E. Notes to the Condensed Interim Consolidated Financial Statements

2. Basis of preparation (continued)

During the judicial management period, there was a stay on all suits, proceedings, claims etc. against the Company, except with the consent of the Judicial Managers (“JMs”) or with the leave of the 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 (“Scheme”).

On 7 January 2022, the Company entered into a Conditional Subscription Agreement (“CSA”) with a group of investors, in which the Investors will subscribe for S\$8 million ordinary shares (the “Proposed Subscription”) and up to \$8 million in unlisted and freely transferable share options (“Options Shares”) in the Company (collectively, the “Proposed Transaction”). The details of the Proposed Transaction was announced on the same day via SGX-Net.

On 29 August 2022, the High Court of Singapore 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.

On 29 August 2022, the High Court of Singapore had granted an order to sanction the Scheme, which was duly approved by the creditors, allowing the Company to restructure the debts and liabilities of the Company owing to the Creditors prior to 15 September 2020. The aforesaid Scheme is one of the 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 Directors/JMs and the management believe that the Group is able to generate sufficient cash flows from its operating activities to meet its liabilities upon successful completion of the Proposed Transaction and the Scheme, and execution of the restructuring deed (collectively, the “Restructuring Exercise”). The Group also plan to undertake a rights issue exercise to raise up to S\$3.3 million upon completion of the Proposed Transaction. Accordingly, 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

Borrowings from the Creditors

The Group has classified the outstanding borrowings amounting to \$14,281,000 as at 31 March 2022, as “Current Liabilities” as the Company had breached certain covenant requirements and the repayment of the borrowings are on a short term basis.

On 6 September 2021, a Court Order was obtained by the principal lender to enforce their mortgage over one of the Company’s properties, and the proceeds arising from the mortgagee sale have been applied towards the borrowings owing to the principal lender.

As at the date of this report, the Company also has outstanding amounts due to unsecured creditors prior to 15 September 2020 of approximately \$19,646,000.

On 18 August 2022, the Company entered into a restructuring deed with the principal lender, and the investors (the “Restructuring Deed”). 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 High Court of Singapore.

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.

E. Notes to the Condensed Interim Consolidated Financial Statements

2. Basis of preparation (continued)

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.

On the above basis, the financial statements for the financial year ended 31 March 2022 is prepared on a going concern basis.

Notwithstanding the Directors/JM and management's belief that the use of going concern assumption in the preparation of the financial statements is appropriate, there are material uncertainties which may cast significant doubt about the ability of the Group and the Company to continue as going concerns as the completion of the Restructuring Exercise is subjected to a number of conditions precedent to be fulfilled, including regulatory bodies' and shareholders' approvals.

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.

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 audited financial statements for the year ended 31 March 2021.

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.

2.3 Updates on the efforts taken to resolve the audit issue

The auditors have issued a qualified opinion on the Group's financial statement for the financial year ended 31 March 2021 due to the Group recorded cost of services for a project undertaken by Hiap Seng Engineering Limited FZC ("HS FZC") of \$461,000 within its loss from discontinued operation.

The JM/Management considers this a historical issue since HS FZC was subsequently disposed in June 2021 and this has no impact on the FY2022 figures.

E. Notes to the Condensed Interim Consolidated Financial Statements

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.

As at 31 March 2022, the Group's lease liabilities, which are measured with reference to estimates of the lease terms, amounted to S\$764,000. 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 31 March 2022.

5. Segment information

Management has determined the operating segments based on the reports that are used to make strategic decisions. Management comprises the Chairman, Chief Executive Officer and Executive Director, Chief Financial Officer and the general managers of each business segment. Since 15 September 2020, the Judicial Managers have been managing the affairs, business and properties of the Group.

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.

E. Notes to the Condensed Interim Consolidated Financial Statements

5. Segment information (continued)

The segment information provided to the management team for the reportable segments for the year ended 31 March 2022 and 31 March 2021 is as follows:

5.1. Reportable segments

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	\$'000	\$'000	\$'000
<i><u>Six months ended 31 March 2022</u></i>			
Revenue			
Revenue from external parties	14,350	36	14,386
Adjusted EBITDA	7,096	307	7,403
Depreciation	(1,133)	-	(1,133)
Share of loss of associated company	(12)	-	(12)
<i><u>Financial year ended 31 March 2022</u></i>			
Revenue			
Revenue from external parties	27,378	37	27,415
Adjusted EBITDA	9,699	(133)	9,566
Depreciation	(2,320)	-	(2,320)
Share of profit of associated company	(12)	-	(12)
<i><u>As at 31 March 2022</u></i>			
Segment assets	32,472	-	32,472
Segment assets include:			
Investment in associated companies	262	-	262
Additions to:			
- Property, plant and equipment	48	-	48
Segment liabilities	(32,741)	-	(32,741)

E. Notes to the Condensed Interim Consolidated Financial Statements

5. Segment information (continued)

5.1. Reportable segments (continued)

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	\$'000	\$'000	\$'000
<i>Six months ended 31 March 2021</i>			
Revenue			
Revenue from external parties	13,942	(2,438)	11,504
Adjusted EBITDA	(1,275)	(2,806)	(4,081)
Depreciation	(2,058)	3	(2,055)
Share of profit of associated company	19	-	19
<i>Financial year ended 31 March 2021</i>			
Revenue			
Revenue from external parties	29,519	(127)	29,392
Adjusted EBITDA	3,062	(3,295)	(233)
Depreciation	(4,298)	(8)	(4,306)
Share of profit of associated company	19	-	19
<i>As at 31 March 2021</i>			
Segment assets	29,393	4,004	33,397
Segment assets include:			
Investment in associated companies	274	-	274
Additions to:			
- Property, plant and equipment	292	-	292
Segment liabilities	(10,736)	(20,806)	(31,542)

E. Notes to the Condensed Interim Consolidated Financial Statements

5. Segment information (continued)

5.1. Reportable segments (continued)

5.1.1. Segment profits

A reconciliation of adjusted EBITDA to loss before tax is provided as follows:

	6 months ended 31/03/2022	6 months ended 31/03/2021	Full Year 31/03/2022	Full Year 31/03/2021
	\$'000	\$'000	\$'000	\$'000
Adjusted EBITDA for reportable segments	7,403	(4,081)	9,566	(233)
Depreciation	(1,133)	(2,055)	(2,320)	(4,306)
Finance expense	(447)	(457)	(875)	(1,265)
Interest income	-	1	3	2
Profit/(loss) before tax and discontinued operations	5,823	(6,592)	6,374	(5,802)

5.1.2. Segment assets

Segments' assets are reconciled to total assets as follows:

	As at 31/03/2022	As at 31/03/2021
	\$'000	\$'000
Segment assets for reportable segments	32,472	33,397
Assets of disposal group classified as held-for-sale	-	6,295
Financial assets, at FVOCI	813	700
Total assets	33,285	40,392

5.1.3. Segment liabilities

Segments' liabilities are reconciled to total liabilities as follows:

	As at 31/03/2022	As at 31/03/2021
	\$'000	\$'000
Segment liabilities	32,741	31,542
Borrowings	14,281	26,901
Lease liabilities	764	1,610
Current income tax liabilities	-	376
Liabilities directly associated with disposal group classified as held-for-sale	-	4,171
Total liabilities	47,786	64,600

E. Notes to the Condensed Interim Consolidated Financial Statements

5. Segment information (continued)

5.1. Reportable segments (continued)

Geographical information

	Revenue	
	As at 31/03/2022	As at 31/03/2021
	S\$'000	S\$'000
<i>Six months ended –</i>		
Singapore	14,297	9,686
Malaysia	15	338
Thailand	-	845
United Arab Emirates	69	2,990
Other countries	5	(2,355)
Total	14,386	11,504
<i>Financial year ended –</i>		
Singapore	25,128	22,481
Malaysia	15	733
Thailand	-	2,073
United Arab Emirates	2,252	3,577
Other countries	20	528
Total	27,415	29,392

5.2. 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	S\$'000
<u>6 months ended 31 March 2022</u>				
Rendering of maintenance services	-	8,752	-	8,752
Shutdown maintenance	-	5,824	-	5,824
Construction of plant and equipment	-	(738)	15	(723)
Others	386	147	-	533
	386	13,985	15	14,386
<u>6 months ended 31 March 2021</u>				
Rendering of maintenance services	-	7,082	-	7,082
Shutdown maintenance	-	2,206	-	2,206
Construction of plant and equipment	-	3,062	(2,550)	512
Others	1,704	-	-	1,704
	1,704	12,350	(2,550)	11,504

E. Notes to the Condensed Interim Consolidated Financial Statements

5. Segment information (continued)

5.2. Disaggregation of revenue (continued)

	← Over time →			
	At a point in time	Plant construction & maintenance	Compression & process equipment fabrication	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<u>12 months ended 31 March 2022</u>				
Rendering of maintenance services	-	14,740	-	14,740
Shutdown maintenance	-	8,047	-	8,047
Construction of plant and equipment	-	3,310	15	3,325
Others	1,156	147	-	1,303
	1,156	26,244	15	27,415
<u>12 months ended 31 March 2021</u>				
Rendering of maintenance services	-	14,043	-	14,043
Shutdown maintenance	-	4,238	-	4,238
Construction of plant and equipment	-	9,520	(238)	9,282
Others	1,829	-	-	1,829
	1,829	27,801	(238)	29,392

A breakdown of sales

	As at 31/03/2022	As at 31/03/2021	% increase/ (decrease)
	S\$'000	S\$'000	%
Sales reported for the first half year	13,029	17,888	(27)
Net profit after tax reported for the first half year	517	101	412
Sales reported for the second half year	14,386	11,504	25
Net profit/(loss) after tax reported for second half year	5,770	(5,464)	N.M

6. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 March 2022 and 31 March 2021.

	Group		Company	
	As at 31/03/2022	As at 31/03/2021	As at 31/03/2022	As at 31/03/2021
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets				
Cash and cash equivalents, at amortised cost	15,120	14,126	11,766	9,197
Trade and other receivables, at amortised cost	10,306	7,168	15,125	9,500
Deposits	364	617	269	376
	25,790	21,911	27,160	19,073
Financial liabilities				
Borrowings, at amortised cost	14,281	26,901	14,281	21,693
Trade and other payables, at amortised cost	32,628	31,321	32,617	32,696
Lease liabilities, at amortised cost	764	1,610	764	1,598
	47,673	59,832	47,662	55,987

E. Notes to the Condensed Interim Consolidated Financial Statements

7. Profit before taxation

	Group		Group	
	6 months ended 31/03/2022	6 months ended 31/03/2021	12 months ended 31/03/2022	12 months ended 31/03/2021
	SS'000	SS'000	SS'000	SS'000
(a) Other income				
Premise rental income	248	495	743	990
Rental of equipment	251	-	493	163
Dividend income	-	35	-	35
Interest income	-	1	3	2
Total other income	499	531	1,239	1,190
(b) Other gains/(losses) - net				
Write back/(allowance for) impairment of financial assets and contract assets	86	(243)	65	(243)
Currency exchange (loss)/gain - net	(502)	(460)	(565)	(664)
Net gain on disposal of property, plant and equipment	4,510	4,036	4,633	4,495
Property, plant and equipment written off	(70)	(6)	(72)	(13)
Net gain on disposal of subsidiaries	562	-	586	204
Net gain on disposal of club membership	-	25	-	35
Loss on lease modification	-	(147)	-	(147)
Sundry gain	498	345	628	430
	5,084	3,550	5,275	4,097
(c) Included in the cost of services rendered and administrative expenses are:				
Foreign workers levy rebate	701	390	701	2,241
Government grant	94	238	1,764	2,020
Depreciation	(1,133)	(2,055)	(2,320)	(4,306)
(d) Finance costs				
- Interest expenses on bank overdrafts	-	1	-	6
- Interest expenses on bank borrowings	412	415	811	1,163
- Interest expenses on lease liabilities	35	41	64	96
	447	457	875	1,265

Related party transactions

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

	Group		Group	
	6 months ended 31/03/2022	6 months ended 31/03/2021	12 months ended 31/03/2022	12 months ended 31/03/2021
	SS'000	SS'000	SS'000	SS'000
Sales and purchases of goods and services				
Computer maintenance fees paid to an associated company	21	63	57	218

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		Group	
	6 months ended 31/03/2022	6 months ended 31/03/2021	12 months ended 31/03/2022	12 months ended 31/03/2021
	S\$'000	S\$'000	S\$'000	S\$'000
Current income tax expense – withholding tax	53	173	87	167
Deferred income tax	-	(732)	-	(732)
Income tax expense/(credit)	53	(559)	87	(565)

9. Net asset value

	Group		Company	
	As at 31/03/2022	As at 31/03/2021	As at 31/03/2022	As at 31/03/2021
Net asset value per ordinary share (in cents)	(4.8)	(7.2)	(4.7)	(8.1)

10. Financial assets at fair value through other comprehensive income

	Group and Company	
	As at 31/03/2022	As at 31/03/2021
	S\$'000	S\$'000
Beginning of financial year	700	712
Net fair value gain/(losses)	113	(12)
End of financial year	813	700

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 Judicial Managers, in consultation with the management, review 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.

E. Notes to the Condensed Interim Consolidated Financial Statements

10. Financial assets at fair value through other comprehensive income (continued)

10.1. Fair value measurement

Assets and liabilities recognised and measured at fair value are classified by level of the following fair value measurement hierarchy :

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) 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
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

11. Property, plant and equipment

During the financial year ended 31 March 2022, the Group acquired assets amounting to S\$48,000 (31 March 2021: S\$292,000) and disposed of assets which its net book value amounting to S\$948,000 (31 March 2021: S\$9,487,000)

12. Borrowings

	Group	
	As at	As at
	31/03/2022	31/03/2021
	S\$'000	S\$'000
<u>Amount repayable in one year or less, or on demand</u>		
Secured	14,281	26,901

The Group's borrowings are secured by a mortgage of certain land and leasehold buildings of the Company and 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 projects financed by the bank.

The Group has classified the outstanding borrowings amounting to \$14,281,000 as at 31 March 2022, 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 31/03/2022		As at 31/03/2021	
	Number	Amount	Number	Amount
	'000	S\$'000	'000	S\$'000
Issued and fully paid ordinary shares				
As at beginning and end of the financial year	303,750	36,178	303,750	36,178

The Company did not hold any treasury shares as at 31 March 2022.

The Company's subsidiaries do not hold any shares in the Company as at 31 March 2022 and 31 March 2021.

E. Notes to the Condensed Interim Consolidated Financial Statements

14. Disposal of subsidiaries

During the year, the following events occurred:

- (a) On 2 June 2021, the Company entered into a Conditional Sales Agreement to dispose its 80% interest in Hiap Seng Engineering Limited FZC (“HSFZC”) to the existing shareholder at a consideration of AED 2,700,000 (approximately S\$ 1.0 million) The disposal was completed in September 2021.
- (b) On 9 December 2021, the Company's wholly-owned subsidiary, Orion Tuas Shipyard Pte Ltd (“OTS”) was placed under voluntary liquidation. As a result, the net assets of OTS was deconsolidated during the financial year.
- (c) On 7 March 2022, the Company's 80% owned subsidiary, HS Compression & Process Pte Ltd (HSCP) was placed under compulsory liquidation. As a result, the net liabilities of HSCP was deconsolidated during the financial year.
- (d) On 24 March 2022, the Company's 93% owned subsidiary, Hiap Seng Engineering (Thailand) Co. Ltd (HSET) was placed under voluntary liquidation. As a result, the net assets of HSET was deconsolidated during the financial year.

The effects of the disposals on the Group were as follows:

	<u>Group</u> <u>\$'000</u>
Carrying amounts of asset and liabilities as at the date of disposal/liquidation:	
Assets of disposal group classified as held-for-sales excluding cash and cash equivalent	5,335
Cash and cash equivalent for assets of disposal group classified as held-for-sales	960
Cash and cash equivalent	695
Trade and other receivables	1,564
Other current assets	104
Total assets	<u>8,658</u>
Liabilities of disposal group classified as held-for-sales	(5,101)
Trade and other payables	(5,055)
Contract liabilities	(249)
Borrowings	(2,953)
Total liabilities	<u>(13,358)</u>
Net liabilities derecognised	(4,700)
Less: Non-controlling interest	2,639
Net liabilities disposed of	<u>(2,061)</u>

E. Notes to the Condensed Interim Consolidated Financial Statements

14. Disposal of subsidiaries (continued)

The effects of the disposals on the Group were as follows: (continued)

	<u>Group</u> <u>\$'000</u>
<u>Cash outflows arising from disposal / liquidation of subsidiaries:</u>	
Net liabilities disposed of (as above)	(2,061)
Corporate guarantee on HSCP's borrowing recognised in "Trade and other payables"	2,953
Payables on behalf of HSCP recognised in "Trade and other payables"	125
Total assets	<u>1,017</u>
Reclassification of currency translation reserve	(55)
Reclassification of capital reserve	158
Gain on disposal of subsidiaries	586
Total consideration from disposal/liquidation of subsidiaries	<u>1,706</u>
Less : other receivables from liquidation of subsidiaries recognised in "Trade and other receivables"	<u>(731)</u>
Cash proceeds on disposal of subsidiaries	975
Less: cash and cash equivalent within assets of disposal group classified as held-for-sales, disposed of	(960)
Less: cash and cash equivalent in subsidiaries liquidated	<u>(695)</u>
Net cash outflows on disposal/liquidation of subsidiaries	<u>680</u>

15. Subsequent events

On 18 August 2022, the JMs convened the Scheme Meeting following the approval obtained on the JMs' statement of proposals, and proposed the scheme of arrangement to be made between the Company and its Scheme Creditors. The Scheme was approved by the majority in numbers of the Scheme Creditors representing three-fourths in value of the said Scheme Creditors, who were present and voting at the said meeting (either in person or by proxy). On the same day, the Company also 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.

On 29 August 2022, the High Court of Singapore granted an order to sanction the Scheme and extended the judicial management order of the Company until 8 March 2023.

As at the date of this report, the Restructuring Exercise is still ongoing and its completion is subject to regulatory bodies and shareholders' approvals.

F. Other information required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated statement of financial position of the Group as at 31 March 2022 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

Second Half (2HFY2022) Review

The Group's revenue for 2HFY2022 was \$14.4 million, 25% higher than the revenue for 2HFY2021 of \$11.5 million, largely attributable to the increase in activity of maintenance services carried out by the Company.

The Group's gross profit had significantly improved to 32% from a gross loss mainly due to cost cutting measures undertaken.

The administrative costs reduced to \$3.9 million in 2HFY2022 from \$4.7 million in 2HFY2021 mainly due to the scaling down of activities for the Group's Thailand subsidiary, the compression and process segment and the United Arab Emirates ("UAE") branch.

The increase in other gains in 2HFY2022 of \$1.5 million was mainly attributable to gain on disposal of subsidiaries of \$0.6 million and a higher gain of disposal of property, plant and equipment of \$0.5 million as compared to prior period.

As a result of the above factors, the Group's profit attributable to shareholders improved from a loss of \$5.3 million to a gain of \$5.8 million in 2HFY2022.

Full Year (FY2022) Review

The Group recorded revenue of \$27.4 million in FY2022, a decrease of \$2.0 million to \$29.4 million in FY2021, mainly attributable to the scaling down of activities for subsidiaries in Thailand and UAE.

Despite the lower revenue, the Group recorded higher gross profit of \$6.5 million in FY2022 compared to a gross loss of \$2.1 million in FY2021.

The administrative costs reduced to \$5.8 million from \$7.8 million in FY2021 mainly due to the scaling down of activities for the Group's Thailand subsidiary, the compression and process segment and the UAE branch.

The increase in other gains of \$1.2 million from \$4.1 million in FY2021 to \$5.3 million in FY2022 was mainly due to a higher disposal gain on subsidiaries of \$0.6 million in FY2022 and reversal of impairment of financial assets in FY2022 of \$0.1 million, which arose from the impairment charge on financial assets of \$0.2 million made in FY2021.

Finance cost decreased to \$0.4 million due to partial repayment of loans made by the Company during the financial period, which was partly financed by the sales proceeds of disposal of the fixed assets from the Group's Thailand subsidiary.

As a result of the above factors, the Group's profit attributable to shareholders improved from a loss of \$5.0 million in FY2021 to a profit of \$6.4 million in FY2022.

F. Other information required by Listing Rule Appendix 7.2

2. Review of performance of the Group (continued)

Segment Review

Revenue for the plant construction and maintenance segment decreased from S\$29.5 million in FY2021 to S\$27.4 million in FY2022, largely attributable to the scaled down activities in Thailand and UAE. Despite the lower revenue, the Group generated a higher earnings before income tax, depreciation and amortisation (“EBITDA”) of S\$9.7 million in FY2022 from S\$3.1 million in FY2021. The higher EBITDA was mainly attributed to the gain on disposal of a property in Singapore.

Revenue for the compression and process equipment fabrication segment dropped significantly in FY2022 as the Group did not take on any new projects during the financial year. An EBITDA loss of \$0.1 million was recognised in FY2022.

Geographically, the Group’s revenue in UAE, Thailand, Malaysia and Others segment recorded lower revenue of S\$2.3 million compared to S\$6.9 million in the prior year, mainly due to the discontinued activities for Thailand subsidiary upon the sale of its core assets, and the scaling down of operations of a project in UAE which is nearing completion. On the other hand, the Group’s revenue in Singapore has increased by S\$2.6 million to S\$25.1 million in FY2022 compared to S\$22.5 million in FY2021.

Statement of Financial Position Review

Excluding an entity which was classified as held for sale as at 31 March 2021, and subsequently disposed of in FY2022, the Group’s current assets increased to \$27.3 million as at 31 March 2022 from \$26.1 million, largely from the improved cash position and trade & other receivables balance.

Excluding an entity which was classified as held for sale as at 31 March 2021, and subsequently disposed of in FY2022, the Group’s current liabilities decreased from \$59.6 million to \$47.8 million, mainly from the repayment of bank borrowings of approximately \$10.4 million, which was partly financed by the sale proceeds from the disposal of assets.

Cash Flow Statement Review

The Group recorded a net increase in cash of \$0.1 million, mainly due to improvement in net cash generated from operating and investing activities of \$7.8 million and \$4.0 million respectively, which was offset with the cash outflow in financing activities of \$11.7 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 year ended 31 March 2022.

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 in 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 lies within the construction of green energy plants, and the maintenance of these new facilities.

Judicial Management Order (“JMO”) 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 (the “Judicial Managers”) by the High Court of Singapore.

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. (continued)

After a vigorous investor search process and discussions with numerous parties, the Company entered into a Conditional Subscription Agreement (“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 31 March 2022 as the Company has no sufficient retained earnings to declare and issue dividends.

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.

F. Other information required by Listing Rule Appendix 7.2

8. Disclosure of persons occupying managerial positions who are related to a director or chief executive officer or substantial shareholder

Pursuant to Rule 704(13) of the Listing Manual, we confirm that the persons occupying managerial positions who are relatives of a director or chief executive officer or substantial shareholder of the Company are as follows:

Name	Age	Family relationship with any Director, CEO and/or Substantial Shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Tan Yew Kun	71	Brother of Tan Ah Lam and Tan Leau Kuee	Plant Maintenance Director; In charge of Group's Plant maintenance department ; Since 1999	No change
Tan Yaw Song	63	Brother of Tan Ah Lam and Tan Leau Kuee	Director of Projects; Oversees the Group's overall operations except plant maintenance; Since 2002	No change
Tay Hee Thiam	68	Cousin of Tan Ah Lam and Tan Leau Kuee	Construction Manager; Manages projects undertaken by the Group; Since 1993	No change
Tan Phuay Hung Max	34	Nephew of Tan Ah Lam Son of Tan Leau Kuee	Manager - Special Projects; Manages special projects undertaken by the Group; Since January 2018	No change
Tan Biby Valarie	45	Niece of Tan Ah Lam Daughter of Tan Leau Kuee	Business Manager ; Establish, develop and maintain business relationships with current customers and prospective customers for the Group; Since 2011	No change

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
26 November 2022

The affairs, business and property of the Company are being managed by the Judicial Managers appointed by the High Court of Singapore. The Judicial Managers contract and only act as agents of the Company and disclaim all personal liability of any nature whatsoever for all matters arising out of, in connection with and in respect of the Judicial Management of the Company herein.