



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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2022

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A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Six Months Ended 30 September 2022

	<u>Note</u>	<u>Group</u>		
		<u>6 months ended 30/09/2022</u>	<u>6 months ended 30/09/2021</u>	<u>Changes</u>
		<u>SS'000</u>	<u>SS'000</u>	<u>%</u>
Revenue	5	9,028	13,029	(31)
Cost of services rendered		(7,630)	(11,111)	(31)
Gross profit		1,398	1,918	(27)
Gross profit margin		15.5%	14.7%	
Other income	7(a)	413	740	(44)
Administrative costs		(2,419)	(1,870)	29
Other gain – net	7(b)	240	191	26
(Loss)/Profit from operations		(368)	979	N.M
Finance costs	7(d)	(238)	(428)	44
(Loss)/Profit before tax		(606)	551	N.M
Income tax expense	8	-	(34)	(100.0)
Total (loss)/profit for the year		(606)	517	N.M
Other comprehensive (loss)/ income				
Items that may be reclassified subsequently to profit or loss:				
– Currency translation differences arising from consolidation		359	439	(18)
Items that will not be reclassified subsequently to profit or loss:				
– Currency translation differences arising from consolidation		-	(3)	(100.0)
Total comprehensive (loss)/income for the period		(247)	953	N.M
(Loss)/Profit attributable to:				
Equity holders of the Company		(606)	632	N.M
Non-controlling interests		-	(115)	(100.0)
		(606)	517	N.M
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company		(247)	1,071	N.M
Non-controlling interests		-	(118)	N.M
		(247)	953	N.M
<u>Earnings per share for profit for the period attributable to the owners of the Company during the year:</u>				
Basic (SGD in cent)		(0.20)	0.21	
Diluted (SGD in cent)		(0.20)	0.21	

Notes

N.M. – Not Meaningful

B. Condensed Statement of Financial Position as at 30 September 2022

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>Unaudited</u>		<u>Unaudited</u>	
		<u>As at</u> <u>30/09/2022</u> <u>S\$'000</u>	<u>As at</u> <u>31/03/2022</u> <u>S\$'000</u>	<u>As at</u> <u>30/09/2022</u> <u>S\$'000</u>	<u>As at</u> <u>31/03/2022</u> <u>S\$'000</u>
ASSETS					
Current assets					
Cash and cash equivalents		15,694	15,120	13,722	11,766
Trade and other receivables		11,184	10,306	13,927	15,125
Contract assets		-	964	-	63
Other current assets		832	868	725	767
		<u>27,710</u>	<u>27,258</u>	<u>28,374</u>	<u>27,721</u>
Non-current assets					
Investments in associated companies		262	262	-	-
Investments in subsidiaries		-	-	615	615
Property, plant and equipment		5,130	4,952	4,718	4,494
Financial assets, at FVOCI	10	813	813	813	813
		<u>6,205</u>	<u>6,027</u>	<u>6,146</u>	<u>5,922</u>
Total assets		<u>33,915</u>	<u>33,285</u>	<u>34,520</u>	<u>33,643</u>
LIABILITIES					
Current liabilities					
Trade and other payables		32,528	32,628	32,594	32,617
Contract liabilities		103	113	59	108
Borrowings	12	14,602	14,281	14,602	14,281
Lease liabilities		583	764	583	764
		<u>47,816</u>	<u>47,786</u>	<u>47,838</u>	<u>47,770</u>
Non-current liabilities					
Lease liabilities		847	-	847	-
		<u>847</u>	<u>-</u>	<u>847</u>	<u>-</u>
Total liabilities		<u>48,663</u>	<u>47,786</u>	<u>48,685</u>	<u>47,770</u>
NET LIABILITIES		<u>(14,748)</u>	<u>(14,501)</u>	<u>(14,165)</u>	<u>(14,127)</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		1,165	806	(1,669)	(1,669)
Accumulated losses		(52,091)	(51,485)	(48,674)	(48,636)
TOTAL EQUITY		<u>(14,748)</u>	<u>(14,501)</u>	<u>(14,165)</u>	<u>(14,127)</u>

C. Condensed Interim Statements of Changes In Equity as at 30 September 2022

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 2022	36,178	806	(51,485)	(14,501)	-	(14,501)
Loss for the period	-	-	(606)	(606)	-	(606)
Other comprehensive income for the period	-	359	-	359	-	359
Total comprehensive income/(loss) for the period	-	359	(606)	(247)	-	(247)
As at 30 September 2022	36,178	1,165	(52,091)	(14,748)	-	(14,748)
As at 1 April 2021(restated)	36,178	17	(57,928)	(21,733)	(2,475)	(24,208)
Profit for the period	-	-	632	632	(115)	517
Other comprehensive income for the period	-	439	-	439	(3)	436
Total comprehensive income for the period	-	439	632	1,071	(118)	953
Disposal of a subsidiary	-	2	-	2	(245)	(243)
As at 30 September 2021 (restated)	36,178	458	(57,296)	(20,660)	(2,838)	(23,498)

Company	Share capital	Other reserves	Accumulated loss	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 April 2022	36,178	(1,669)	(48,636)	(14,127)
Total comprehensive loss for the period	-	-	(38)	(38)
As at 30 September 2022	36,178	(1,669)	(48,674)	(14,165)
As at 1 April 2021 (restated)	36,178	(1,782)	(58,884)	(24,488)
Total comprehensive income for the period	-	113	1,079	1,192
As at 30 September 2021 (restated)	36,178	(1,669)	(57,805)	(23,296)

Beginning balance was restated per the audited 31 March 2021 accounts

D. Condensed Interim Consolidated Statement of Cash Flows as at 30 September 2022

	Group	
	Unaudited	
	6 months ended 30/09/2022	6 months ended 30/09/2021
	S\$'000	S\$'000
Cash flows from operating activities:		
Total (loss) / profit	(606)	517
Adjustments for:		
Income tax expense	-	34
Depreciation of property, plant equipment	899	1,187
Net gain on disposal of property, plant and equipment	(2)	(123)
Net gain on disposal of club membership	-	-
Net gain on disposal of a subsidiary	-	(24)
Property, plant and equipment written off	-	2
Impairment of other receivables and trade receivables	-	21
Unrealised currency translation losses	380	496
Interest expense	238	428
Interest income	(1)	(3)
	<u>908</u>	<u>2,535</u>
Change in working capital		
Contract assets	964	1,879
Trade and other receivables	(878)	(729)
Other current assets	36	295
Contract liabilities	(10)	28
Trade and other payables	(101)	532
Cash generated from operations	<u>919</u>	<u>4,540</u>
Income tax paid	-	(390)
Net cash provided by operating activities	<u>919</u>	<u>4,150</u>
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	2	146
Purchases of property, plant and equipment	(10)	(24)
Disposal of a subsidiary, net of cash disposed	-	15
Interest received	1	3
Net cash (used in) / provided by investing activities	<u>(7)</u>	<u>140</u>
Cash flows from financing activities		
Interest paid	(11)	(30)
Repayment of bank borrowings	-	(75)
Repayment of lease liabilities	(415)	(699)
Net cash used in by financing activities	<u>(426)</u>	<u>(804)</u>
Cash and cash equivalent		
Net increase in cash and cash equivalents	486	3,486
Effect of currency translation on cash and cash equivalents	88	(47)
Beginning of the financial period	15,120	15,049
End of the financial period	<u>15,694</u>	<u>18,488</u>

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 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 ended 30 September 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 announced unaudited financial statements for the year ended 31 March 2022 on 27 November 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.

As at 30 September 2022, the Group and the Company reported a net current liabilities position of \$20,106,000 and \$19,464,000 respectively. In addition, the Group and the Company were in net liabilities position of \$14,748,000 and \$14,165,000 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 \$14,602,000 as at 30 September 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 statement for the period ended 30 September 2022 is prepared on a going concern basis.

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 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 condition precedents 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 unaudited financial statements for the year ended 31 March 2022 as announced on 27 November 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.

E. Notes to the condensed interim consolidated financial statements

3. Critical accounting estimates, assumptions and judgements (cont'd)

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.

Critical judgement over the lease terms

As at 30 September 2022, the Group's lease liabilities, which are measured with reference to estimates of the lease terms, amounted to S\$1,430,000. 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 2022 to 30 September 2022.

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 2022 and 30 September 2021 is as follows:

E. Notes to the condensed interim consolidated financial statements

5.1 Reportable segments

	Plant construction & maintenance	Total
	S\$'000	S\$'000
<i>Six months ended 30 September 2022</i>		
Revenue		
Revenue from external parties	9,028	9,028
Adjusted EBITDA	530	530
Depreciation of property, plant and equipment	(899)	(899)
Segment assets	33,102	33,102
Segment assets include:		
Investment in associated companies	261	261
Additions to:		
Property, plant and equipment	10	10
Segment liabilities	(32,631)	(32,631)

	Plant construction & maintenance	Compression & process equipment fabrication	Total
	S\$'000	S\$'000	S\$'000
<i>Six months ended 30 September 2021</i>			
Revenue			
Revenue from external parties	13,028	1	13,029
Adjusted EBITDA	2,603	(440)	2,163
Depreciation of property, plant and equipment	(1,187)	-	(1,187)
Segment assets (restated)	33,896	3,379	37,275
Segment assets include:			
Investment in associated companies	274	-	274
Additions to:			
Property, plant and equipment	(24)	-	(24)
Segment liabilities (restated)	(27,201)	(4,900)	(32,101)

- a. A reconciliation of adjusted EBITDA to profit before tax is provided as below –

	6 months ended 30/9/2022	6 months ended 30/9/2021
	\$'000	\$'000
EBITDA	530	2,163
Depreciation of property, plant and equipment	(899)	(1,187)
Finance expense	(238)	(428)
Interest income	1	3
(Loss)/Profit before tax and discontinued operations	(606)	551

E. Notes to the condensed interim consolidated financial statements

5. Segment information (continued)

b. Segments' assets are reconciled to total assets as follows –

	<u>As at</u> <u>30/9/2022</u>	<u>As at</u> <u>30/9/2021</u>
	\$'000	\$'000
Segment assets for reportable segments	33,102	37,275
Financial assets, at FVOCI	813	700
Total assets	33,915	37,975

c. Segments' liabilities are reconciled to total liabilities as follows –

	<u>As at</u> <u>30/9/2022</u>	<u>As at</u> <u>30/9/2021</u>
	\$'000	\$'000
Segment liabilities	32,631	32,101
Borrowings	14,602	27,208
Lease liabilities	1,430	2,144
Current income tax liabilities	-	20
Total liabilities	48,663	61,473

d. 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.

	<u>Over time</u>			<u>Total</u> <u>S\$'000</u>
	<u>At a point</u> <u>in time</u> <u>S\$'000</u>	<u>Plant</u> <u>construction &</u> <u>maintenance</u> <u>S\$'000</u>	<u>Compression</u> <u>& process</u> <u>equipment</u> <u>fabrication</u> <u>S\$'000</u>	
<i><u>Six months ended 30 September 2022</u></i>				
Rendering of maintenance services	-	7,908	-	7,908
Shutdown maintenance	-	2	-	2
Construction of plant and equipment	-	1,100	-	1,100
Others	18	-	-	18
Total	18	9,010	-	9,028

<i><u>Six months ended 30 September 2021</u></i>				
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

Geographical information

	<u>Revenue</u>		<u>Non-current assets</u>	
	<u>As at</u> <u>30/09/2022</u> <u>S\$'000</u>	<u>As at</u> <u>30/09/2021</u> <u>S\$'000</u>	<u>As at</u> <u>30/09/2022</u> <u>S\$'000</u>	<u>As at</u> <u>30/09/2021</u> <u>S\$'000</u>
Singapore	9,021	10,831	6,130	5,569
United Arab Emirates	-	2,183	75	77
Other countries	7	15	-	381
Total	9,028	13,029	6,205	6,027

E. Notes to the condensed interim consolidated financial statements

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 2022 and 31 March 2022.

	Group		Company	
	As at 30/09/2022	As at 31/03/2022	As at 30/09/2022	As at 31/03/2022
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets				
Cash and cash equivalents, at amortised cost	15,694	15,120	13,722	11,766
Trade and other receivables, at amortised cost	11,184	10,306	13,927	15,125
Deposits	300	364	292	269
	27,178	25,790	27,941	27,160
Financial liabilities				
Borrowings, at amortised cost	14,602	14,281	14,602	14,281
Trade and other payables, at amortised cost	32,528	32,628	32,594	32,617
Lease liabilities, at amortised cost	1,430	764	1,430	764
	48,560	47,673	48,626	47,662

7. Profit before taxation

	Group	
	6 months ended 30/09/2022	6 months ended 30/09/2021
	S\$'000	S\$'000
(a) Other income		
Interest income	1	3
Rental of equipment	167	242
Premise rental income	245	495
Total other income	413	740
(b) Other gains - net		
Allowance for impairment of financial assets	-	(21)
Currency exchange loss - net	(329)	(63)
Net gain on disposal of property, plant and equipment	2	123
Property, plant and equipment written off	-	(2)
Net gain on disposal of subsidiaries	-	24
Sundry gain	567	130
	240	191
(c) Included in the cost of services rendered and administrative expenses are:		
Foreign workers levy rebate (recorded in cost of services rendered)	63	-
Government grant (recorded in administrative expenses)	-	1,670
Depreciation of property, plant and equipment	(899)	(1,187)
(d) Finance costs		
- Interest expenses on bank borrowings	227	399
- Interest expenses on lease liabilities	11	29
	238	428

E. Notes to the condensed interim consolidated financial statements

7. Profit before taxation (continued)

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 30/09/2022	6 months ended 30/09/2021
	S\$'000	S\$'000
Sales and purchases of goods and services		
Computer maintenance fees paid to an associated company	21	36

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 30/09/2022	6 months ended 30/09/2021
	S\$'000	S\$'000
Current income tax expense	-	34

9. Net asset value

	Group		Company	
	As at 30/09/2022	As at 31/03/2022	As at 30/09/2022	As at 31/03/2022
Net asset value per ordinary share (in cents)	(4.9)	(4.8)	(4.7)	(4.7)

10. Financial assets at fair value through other comprehensive income

	Group and Company	
	As at 30/09/2022	As at 31/03/2022
	S\$'000	S\$'000
Beginning and end of financial period/year	813	813

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 six months ended 30 September 2022, the Group acquired assets amounting to S\$10,000 (30 September 2021: S\$24,000) and disposed of assets with carrying amounts of Nil, (30 September 2021: S\$23,000)

12. Borrowings

	Group	
	As at	As at
	30/09/2022	31/03/2022
	S\$'000	S\$'000
<u>Amount repayable in one year or less, or on demand</u>		
Secured	14,602	14,281

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 \$14,602,000 as at 30 September 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 30/09/2022		As at 31/03/2022	
	Number		Number	
	of shares	Amount	of shares	Amount
	'000	S\$'000	'000	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 2022.

The Company's subsidiaries do not hold any shares in the Company as at 30 September 2022 and 31 March 2022.

E. Notes to the condensed interim consolidated financial statements

14. Subsequent events

On 18 August 2022, the JMs convened a 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 for 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 30 September 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

Half Year (HY2023) Review

The revenue for HY2023 was lower by \$4 million from \$13.0 million in HY2022 to \$9.0 million in HY2023, mainly due to slight decrease in business activities for the Company and the project in UAE branch nearing completion. Despite the lower revenue in HY2023, the Group generated a higher gross profit margin compared to HY2022 due to cost cutting measures undertaken.

The other income reduced from \$0.7 million to \$0.4 million in HY2023 mainly due to lower income generated from the rental of the premises.

The administrative expenses was higher by \$0.5 million in HY2023 from \$1.9 million in HY2022 mainly due the recognition of the government grant of \$1.7 million in HY2022 which was set off against the administrative expenses. Excluding this grant, the administrative cost would have been \$3.5 million in HY2022.

The finance costs decreased to \$0.2 million in HY2023 as a result of partial repayment of loan made by the Company during 2HY2022.

Segment Review

As the Company's 80% owned subsidiary, HS Compression & Process Pte Ltd ("HSCP") was placed under compulsory liquidation, the segment "compression & process equipment fabrication" was not included in HY2023.

The EBITDA for plant construction & maintenance segment was reduced by \$ 2.1 million to \$0.5 million in HY2023 from \$2.6 million in HY2022 mainly due to the recognition of government grant of \$1.7 million in HY2022.

The liabilities for plant construction & maintenance segment increased by \$5.4 million from \$27.2 million as at 30 September 2021 to \$32.6 million as at 30 September 2022 mainly due to the provision of professional fees in relation to the judicial management \$2.0 million over the period and the recognition of \$3.0 million liability for the corporate guarantee issued to the bank in respect of loan made to HSCP.

Geographically, the Group's revenue in UAE lowered by \$2.1 million due to the completion of project.

Balance Sheet Review

Non-current assets increased by \$0.2 million mainly from the recognition of right of use assets of \$1.1 million due to further lease extension which was offset with the depreciation charge of \$0.9 million during the period. There was also a corresponding increase in the lease liabilities due to the lease extension.

Cash Flow Statement Review

The Group recorded a net increase in cash of \$0.5 million, mainly due to improvement in net cash generated from operating activities of \$0.9 million, which was offset with the cash outflow in investing and financing activities, cumulatively amounting to \$0.4 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 2022.

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 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.

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 2022 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 2022 to be false or misleading in any material aspect.

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.