



HIAP SENG ENGINEERING LIMITED
(JUDICIAL MANAGERS APPOINTED)
(Incorporated in the Republic of Singapore)
(Company Registration No. 197100300Z)

MATERIAL VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

Hiap Seng Engineering Limited (the "Company" and together with its subsidiaries, the "Group") refers to its unaudited full year financial results announcement for the financial year ended 31 March 2020 ("FY2020") released on 6 August 2020 (the "Unaudited Financial Statements").

Pursuant to Rule 704(6) of the Listing Manual of Singapore Exchange Trading Limited, the Company wishes to highlight and clarify the material differences between the Unaudited Financial Statements and the audited financial statements for FY2020 contained in the Annual Report (the "Audited Financial Statements").

A summary of the differences between the Unaudited Financial Statements and Audited Financial Statements with the relevant explanatory notes are as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income as at 31 March 2020

	Note	Group			
		Audited Financial Statements	Unaudited Financial Statements	Variance	Increase / (Decrease)
		S\$'000	S\$'000	S\$'000	%
Revenue	PL-1	149,619	151,994	(2,375)	-2
Cost of services rendered	PL-2	(156,999)	(155,453)	(1,546)	1
Gross loss		(7,380)	(3,459)	(3,921)	N.M.
Other income	PL-3	109	1	108	N.M.
Other gains/(losses) - net	PL-4	(939)	367	(1,306)	N.M.
Expenses					
- Administrative		(16,363)	(16,285)	(78)	0
- Finance	PL-5	(1,121)	(971)	(150)	15
		(25,694)	(20,347)	(5,347)	26
Share of profit/(loss) of associated companies	PL-6	(31)	29	(60)	N.M.
Loss before income tax		(25,725)	(20,318)	(5,407)	27
Income tax credit /(expenses)	PL-7	97	(270)	367	N.M.
Total loss		(25,628)	(20,588)	(5,040)	24

N.M. - Not Meaningful

Explanatory Notes

- PL-1 Subsequent to the announcement of the unaudited financial results, there was a downward adjustment of \$2.4 million mainly due to
- (a) reduction in scope of contract that occurred before 31 March 2020 from the Group's Thailand subsidiary, which was not recorded in the unaudited financial information. This represented \$0.6 million of downward adjustment to revenue; and
 - (b) reassessment to cost incurred and budgeted cost estimate of the revenue recognised over time that represented \$1.7 million of downward adjustment.
- PL-2 The variance in cost of services rendered arose mainly from the adjustment of \$1.3 million upon reconciliation of the outstanding creditors balance recorded by the Group with that of creditors' records.
- PL-3 The increase of \$0.1 million in other income was due to the accrual of dividend income which was declared by the unlisted entity in Vietnam (an investment of the Group) during the financial year.
- PL-4 The variance was mainly due to additional impairment required on financial assets and contract assets of \$1.3 million.
- PL-5 The variance in finance costs was due to the inclusion of interest charge on lease liabilities arising from adoption of SFRS(I) 16 Leases.
- PL-6 The variance in share of profit/loss of associated companies was due to the financial results of an associated company being revised based on its audited financial statements.
- PL-7 The difference in income tax expense was due to the reassessment of the temporary differences.

Consolidated Statement of Financial Position as at 31 March 2020

		Group			
		Audited Financial Statements	Unaudited Financial Statements	Variance	Increase / (Decrease)
Note		S\$'000	S\$'000	S\$'000	%
ASSETS					
Current assets					
	Cash and cash equivalents	1,885	1,885	-	0
	Trade and other receivables	20,992	18,170	2,822	16
	Contract assets	10,004	14,692	(4,688)	-32
	Other current assets	3,434	3,299	135	4
		<u>36,315</u>	<u>38,046</u>		
Non-current assets					
	Investments in associated companies	255	326	(71)	-22
	Property, plant and equipment	23,550	21,205	2,345	11
	Financial assets, at FVOCI	712	1,289	(577)	45
	Deferred income tax assets	-	51	(51)	N.M.
	Club memberships	253	270	(17)	-6
		<u>24,770</u>	<u>23,141</u>	1,629	7
	Total assets	<u>61,085</u>	<u>61,187</u>	(102)	0
LIABILITIES					
Current liabilities					
	Trade and other payables	41,207	38,239	2,968	8
	Provision for onerous contracts	266	275	(9)	-3
	Contract liabilities	5,667	6,439	(772)	-12
	Current income tax liabilities	27	28	(1)	-4
	Borrowings	29,326	29,374	(48)	0
	Lease liabilities	1,511	-	1,511	N.M.
		<u>78,004</u>	<u>74,355</u>	3,649	5
Non-current liabilities					
	Borrowings	-	12	(12)	N.M.
	Lease liabilities	1,667	-	1,667	N.M.
	Deferred income tax liabilities	748	1,166	(418)	-36
		<u>2,415</u>	<u>1,178</u>	1,237	105
	Total liabilities	<u>80,419</u>	<u>75,533</u>	4,886	6
	NET LIABILITIES	<u>(19,334)</u>	<u>(14,346)</u>	(4,988)	35
EQUITY					
Capital and reserves attributable to equity holders of the Company					
	Share capital	36,178	36,178	-	0
	Other reserves	(494)	283	(777)	N.M.
	Accumulated losses	(52,911)	(49,111)	(3,800)	8
		<u>(17,227)</u>	<u>(12,650)</u>	(4,577)	36
	Non-controlling interests	(2,107)	(1,696)	(411)	24
	Total equity	<u>(19,334)</u>	<u>(14,346)</u>	(4,988)	35

N.M. - Not Meaningful

Explanatory Notes

- FP-1 The variance was mainly due to the reclassification of provision for liquidated damages of \$2.9 million, previously offset from trade receivables, to contract liabilities.
- FP-2 The difference was due to net presentation of contract assets and contract liabilities on an individual contracts basis resulting in a reduction in contract assets and contract liabilities of \$3.3 million accordingly. Further impairment loss of \$0.8 million was made to the contract assets and an adjustment of \$0.6 million by the Thailand subsidiary (as explained in Note PL-1).
- FP-3 The increase in property, plant and equipment was mainly due to the recognition of right-of-use assets following the adoption of SFRS(I) 16 Leases (net book value amounted to \$3.3 million at financial year end). There was a further write-off to property, plant and equipment of \$0.7 million.
- FP-4 The reduction was due to estimation of the fair value of the unlisted equity securities of an investee company in Vietnam.
- FP-5 This adjustment relates to deferred tax as highlighted in Note PL-7.
- FP-6 The variance was due to impairment made on the Company's club membership to reflect its market value.
- FP-7 The net increase in trade and other payables were mainly due to additional project costs being recognised as highlighted in Note PL-2, recognition of the Job Support Scheme on an accrual basis and reassessment of the provision for reinstatement of right-of-use assets, amounting to about \$0.9 million and \$0.3 million respectively
- FP-8 The difference in contract liabilities was mainly due to the reclassification of the provision of liquidated damages as per Note FP-1 above, and reclassification as explained in Note FP-2, this resulted in an overall reduction to the contract liabilities.
- FP-9 The recognition of lease liabilities upon adoption of SFRS(I) 16 Leases.

Consolidated Condensed Statement of Cash Flows as at 31 March 2020

	Note	Group			
		Audited Financial Statements	Unaudited Financial Statements	Variance	Increase / (Decrease)
		S\$'000	S\$'000	S\$'000	%
Net cash used in operating activities	CF-1	(2,983)	(4,724)	1,741	-37
Net cash generated from/(used in) investing activities	CF-2	(25)	138	(163)	N.M.
Net cash used in financing activities	CF-1	(5,134)	(3,559)	(1,575)	44

N.M. - Not Meaningful

Explanatory Notes

- CF-1 The differences were mainly due to the reclassification of payment for lease liabilities from operating activities to financing activities.
- CF-2 The variance was mainly due to reclassification of monies received from the loan taken to purchase assets held by a subsidiary, which was subsequently disposed off during the financial year. The monies were previously set off against the purchase of assets, but now reclassified to operating activities due to the non-cash nature of the gain realised arising from the disposal of that subsidiary.

Onn Su Sun and Lin Yueh Hung
Joint and Several Judicial Managers

18 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.