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

UNAUDITED CONDENSED FULL YEAR FINANCIAL STATEMENTS FOR THE SECOND HALF AND FULL YEAR ENDED 31 MARCH 2023

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A. Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income For the second half and full financial year ended 31 March 2023

	Note	Group			Group		
		Unaudited			(Unaudited)	(Audited)	
		6 months ended 31/3/2023	6 months ended 31/3/2022	Changes	12 months ended 31/03/2023	12 months ended 31/03/2022	Changes
		S$'000	S$'000	%	S$'000	S$'000	%
Revenue		9,044	14,386	(37)	18,072	27,415	(34)
Cost of services rendered		(7,357)	(9,787)	(25)	(14,987)	(20,898)	28
Gross profit		**1,687**	**4,599**	**(63)**	**3,085**	**6,517**	**(53)**
Gross profit margin		18.7%	32.0%		17.1%	23.8%	
Other income	7(a)	450	499	(10)	863	1,239	(30)
Other (losses)/gains – net	7(b)	(1,062)	5,084	NM	(822)	5,275	NM
Expenses							
-Administrative expenses		(3,317)	(3,900)	15	(5,736)	(5,770)	1
-Finance costs		(259)	(447)	42	(497)	(875)	43
Share of profit/(loss) of associated companies		8	(12)	NM	8	(12)	NM
(Loss)/profit before tax		**(2,493)**	**5,823**	**NM**	**(3,099)**	**6,374**	**NM**
Income tax expenses		-	(53)	NM	-	(87)	NM
Net (loss)/profit after tax		**(2,493)**	**5,770**	**NM**	**(3,099)**	**6,287**	**NM**
Other comprehensive income/(loss)							
Items that may be reclassified subsequently to profit or loss:							
– Currency translation differences arising from consolidation		306	134	128	665	573	16
Items that will not be reclassified subsequently to profit or loss:							
– Currency translation differences arising from consolidation		-	(5)	NM	-	(8)	NM
– Fair value losses – equity investments		-	113	NM	-	113	NM
Total comprehensive (loss) / income for the year		**(2,187)**	**6,012**	**NM**	**(2,434)**	**6,965**	**NM**
(Loss)/profit attributable to:							
Equity holders of the Company		(2,493)	5,811	NM	(3,099)	6,443	NM
Non-controlling interests		-	(41)	NM	-	(156)	NM
		(2,493)	**5,770**	**NM**	**(3,099)**	**6,287**	**NM**
Total comprehensive (loss)/ income attributable to:							
Equity holders of the Company		(2,187)	6,058	NM	(2,434)	7,129	NM
Non-controlling interests		-	(46)	NM	-	(164)	NM
		(2,187)	**6,012**	**NM**	**(2,434)**	**6,965**	**NM**
Basic and diluted (loss)/ earnings per share (cents per share)		**(0.8)**	**1.9**		**(1.0)**	**2.1**	

Notes

N.M. – Not Meaningful

B. Condensed Statement of Financial Position
As at 31 March 2023

	Note	Group		Company	
		As at 31/3/2023 Unaudited	As at 31/03/2022 Audited	As at 31/3/2023 Unaudited	As at 31/03/2022 Audited
		S$'000	S$'000	S$'000	S$'000
ASSETS					
Current assets					
Cash and cash equivalents		18,744	15,120	17,599	11,766
Trade and other receivables		7,651	10,306	8,779	15,125
Contract assets		-	964	-	63
Other current assets		746	868	740	767
		27,141	27,258	27,118	27,721
Non-current assets					
Investments in associated companies		270	262	-	-
Investments in subsidiaries		-	-	615	615
Property, plant and equipment		4,223	4,952	3,910	4,494
Financial assets, at FVOCI	10	813	813	813	813
		5,306	6,027	5,338	5,922
Total assets		**32,447**	**33,285**	**32,456**	**33,643**
LIABILITIES					
Current liabilities					
Trade and other payables		33,645	32,628	33,827	32,617
Contract liabilities		7	113	2	108
Borrowings	12	14,720	14,281	14,720	14,281
Lease liabilities		222	764	222	764
		48,594	47,786	48,771	47,770
Non-current liabilities					
Lease liabilities		788	-	788	-
		788	-	788	-
Total liabilities		49,382	47,786	49,559	47,770
NET LIABILITIES		**(16,935)**	**(14,501)**	**(17,103)**	**(14,127)**
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	13	36,178	36,178	36,178	36,178
Other reserves		1,471	806	(1,669)	(1,669)
Accumulated losses		(54,584)	(51,485)	(51,612)	(48,636)
TOTAL EQUITY		**(16,935)**	**(14,501)**	**(17,103)**	**(14,127)**

C. Condensed Interim Statements of Changes In Equity
For financial year ended 31 March 2023

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
2023						
As at 1 April 2022	**36,178**	**806**	**(51,485)**	**(14,501)**	**-**	**(14,501)**
Loss for the period	-	-	(3,099)	(3,099)	-	(3,099)
Other comprehensive income for the period	-	665	-	665	-	665
Total comprehensive income/ (loss) for the period	-	665	(3,099)	(2,434)	-	(2,434)
As at 31 March 2023	**36,178**	**1,471**	**(54,584)**	**(16,935)**	**-**	**(16,935)**
2022						
As at 1 April 2021	**36,178**	**17**	**(57,928)**	**(21,733)**	**(2,475)**	**(24,208)**
Profit /(loss) for the period	-	-	6,443	6,443	(156)	6,287
Other comprehensive income /(loss) for the period	-	686	-	686	(8)	678
Total comprehensive income /(loss) for the period	-	686	6,443	7,129	(164)	6,965
Reclass upon disposal of subsidiaries	-	103	-	103	-	103
Disposal of a controlling Interest in subsidiaries	-	-	-	-	2,639	2,639
As at 31 March 2022	**36,178**	**806**	**(51,485)**	**(14,501)**	**-**	**(14,501)**

C. Condensed Interim Statements of Changes In Equity
For financial year ended 31 March 2023

Company	**Share capital**	**Other reserves**	**Accumulated loss**	**Total equity**
	S$'000	**S$'000**	**S$'000**	**S$'000**
2023				
As at 1 April 2022	36,178	(1,669)	(48,636)	(14,127)
Total comprehensive loss for the period	-	-	(2,976)	(2,976)
As at 31 March 2023	**36,178**	**(1,669)**	**(51,612)**	**(17,103)**
2022				
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)**

D. Condensed Interim Consolidated Statement of Cash Flows
As at 31 March 2023

	Group	
	(Unaudited)	(Audited)
	As at 31/03/2023	As at 31/03/2022
	S$'000	S$'000
Cash flows from operating activities:		
Total (loss)/ profit after tax	(3,099)	6,287
Adjustments for:		
Income tax expense	-	87
Impairment / (Write back) of financial assets and contract assets	133	(65)
Depreciation	1,791	2,320
Net gain on disposal of property, plant and equipment	(50)	(4,633)
Property, plant and equipment written off	42	72
Net gain on disposal of subsidiaries	-	(586)
Unrealised currency translation losses	707	630
Interest expense	497	875
Interest income	(111)	(3)
Share of (profit)/ loss of associated companies	(8)	12
	(98)	4,996
Change in working capital, net of effects from acquisition and disposal of subsidiaries:		
Contract assets	964	2,783
Trade and other receivables	2,522	(2,977)
Other current assets	122	116
Contract liabilities	(106)	255
Trade and other payables and provision	1,016	3,130
Cash generated from operations	4,420	8,303
Income tax paid	-	(460)
Net cash generated from operating activities	**4,420**	**7,843**
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	55	4,759
Purchases of property, plant and equipment	(58)	(48)
Interest received	111	3
Disposal of subsidiaries, net of cash disposed	-	(680)
Net cash generated from investing activities	**108**	**4,034**
Cash flows from financing activities		
Interest paid	(17)	(66)
Net repayment of bank financing (trust receipts)	-	(872)
Repayment of bank borrowings	-	(9,551)
Repayment of principal portion of lease liabilities	(843)	(1,260)
Net cash used in financing activities	**(860)**	**(11,749)**
Net increase in cash and cash equivalents	3,668	128
Effect of currency translation on cash and cash equivalents	(44)	(57)
Beginning of the financial year	15,120	15,049
End of the financial year	**18,744**	**15,120**
Cash and cash equivalents represented by:		
Bank and cash balances	**18,744**	**15,120**

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 31 March 2023 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.

On 7 March 2022, the High Court of Singapore ordered HSCP to be wound up as it has ceased all its operations, and the judicial management order was discharged accordingly.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 March 2023 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 period ended 30 September 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 31 March 2023, the Group and the Company reported a net current liabilities position of $21,453,000 and $21,653,000 respectively. In addition, the Group and the Company were in net liabilities position of $16,935,000 and $17,103,000 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 7 March 2022, the High Court of Singapore ordered HSCP to be wound up as it has ceased all its operations, and the judicial management order was discharged accordingly.

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.

On 7 March 2023, the Court granted the extension of the judicial management order for the Company till 4 September 2023 to allow the Company to complete the Proposed Transaction with the investors.

The Company is currently in the final stages of fulfilling the conditions precedent of the investment terms with the proposed investors, which are to obtain the regulatory authorities' approval (i.e. SGX and SIC) and the shareholders' approval on the Proposed Transaction and the Company's resumption of trading.

Once approval has been obtained from the regulatory authorities, the next steps would be to convene the shareholders' EGM to approve the Proposed Transaction, obtain the court sanction for the shareholders' scheme upon the shareholders' approval, and the administrative process in making the scheme payments and issuance of Settlement Shares to the scheme creditors.

As the Company continues to seek approval from the relevant regulatory authorities in relation to the Proposed Transaction, further time is required for the satisfaction of the conditions precedent. Accordingly, the Company entered into a supplemental agreement with the investors on 31 May 2023 to extend the Longstop Date to 30 November 2023.

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 $14,720,000 as at 31 March 2023, as "Current Liabilities" as the Company had breached certain covenant requirements and the repayment of the borrowings are on a short term basis.

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.

2. Basis of preparation (continued)

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.

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 31 March 2023 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

There has been no change in the accounting policies and methods of computation adopted by the Group for the current reporting year compared with the audited financial statements for the year ended 31 March 2022, except for the adoption of new or revised SFRS (1) and Interpretation of SFRS(I) ("INT SFRS(I)") that are mandatory for the financial year beginning on or after 1 April 2022. The adoption of these SFRS(I) and INT SFRS(I) has no significant impact on the Group.

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 2022.

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.

E. Notes to the condensed interim consolidated financial statements

2.2 Use of judgements and estimates (cont'd)

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.

Critical judgement over the lease terms

As at 31 March 2023, the Group's lease liabilities, which are measured with reference to estimates of the lease terms, amounted to S$1,010,000. 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 31 March 2023.

5. Segment information

Management together with the JMs have determined the operating segments based on the reports that are used to make strategic decisions.

During the financial year under review, the management reassessed its operating segments and determined Plant construction and maintenance to be the sole operating segment, given that the other segment being Compression and Process Equipment was placed under liquidation on 7 March 2022.

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 31 March 2023 and 31 March 2022 is as follows:

E. Notes to the condensed interim consolidated financial statements

5.1 Reportable segments

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	**$'000**	**$'000**
Six months ended 31 March 2023			
Revenue			
Revenue from external parties	9,044	-	9,044
Adjusted EBITDA	**(1,452)**	**-**	**(1,452)**
Depreciation	(892)	-	(892)
Share of profit of associated company	8	-	8
Financial year ended 31 March 2023			
Revenue			
Revenue from external parties	18,072	-	18,072
Adjusted EBITDA	**(922)**	**-**	**(922)**
Depreciation	(1,791)	-	(1,791)
Share of profit of associated company	8	-	8
As at 31 March 2023			
Segment assets	**31,634**	**-**	**31,634**
Segment assets include:			
Investment in associated companies	270	-	270
Additions to:			
- Property, plant and equipment	(58)	-	(58)
Segment liabilities	**(33,652)**	**-**	**(33,652)**

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	**$'000**	**$'000**
Six months ended 31 March 2022			
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)

E. Notes to the condensed interim consolidated financial statements

5. Segment information (continued)

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	**$'000**	**$'000**
Financial year ended 31 March 2022			
Revenue			
Revenue from external parties	27,378	37	27,415
Adjusted EBITDA	**9,699**	**(133)**	**9,566**
Depreciation	(2,320)	-	(2,320)
Share of loss of associated company	(12)	-	(12)
As at 31 March 2022			
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)**

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

	6 months ended 31/3/2023 $'000	6 months ended 31/3/2022 $'000	12 months ended 31/3/2023 $'000	12 months ended 31/3/2022 $'000
EBITDA	(1,452)	7,403	(922)	9,566
Depreciation of property, plant and equipment	(892)	(1,133)	(1,791)	(2,320)
Finance expense	(259)	(447)	(497)	(875)
Interest income	110	-	111	3
(Loss)/Profit before tax	(2,493)	5,823	(3,099)	6,374

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

	As at 31/3/2023	As at 31/3/2022
	$'000	$'000
Segment assets for reportable segments	31,634	32,472
Financial assets, at FVOCI	813	813
Total assets	32,447	33,285

E. Notes to the condensed interim consolidated financial statements

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

	As at 31/3/2023	As at 31/3/2022
	$'000	**$'000**
Segment liabilities	33,652	32,741
Borrowings	14,720	14,281
Lease liabilities	1,010	764
Total liabilities	49,382	47,786

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.

		Over time		
	At a point in time	**Plant construction & maintenance**	**Compression & process equipment fabrication**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Six months ended 31 March 2023				
Rendering of maintenance services	-	8,980	-	8,980
Shutdown maintenance	-	-	-	-
Construction of plant and equipment	-	58	-	58
Others	6	-	-	6
Total	**6**	**9,038**	**-**	**9,044**
Six months ended 31 March 2022				
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
Total	**386**	**13,985**	**15**	**14,386**

		Over time		
	At a point in time	**Plant construction & maintenance**	**Compression & process equipment fabrication**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**
12 months ended 31 March 2023				
Rendering of maintenance services	-	17,933	-	17,933
Shutdown maintenance	-	2	-	2
Construction of plant and equipment	-	113	-	113
Others	24	-	-	24
	24	**18,048**	**-**	**18,072**
12 months ended 31 March 2022				
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**

E. Notes to the condensed interim consolidated financial statements

Geographical information

	Revenue	
	As at 31/03/2023	As at 31/03/2022
Six months ended –	S$'000	S$'000
Singapore	9,008	14,297
Malaysia	-	15
United Arab Emirates	36	69
Other countries	-	5
Total	**9,044**	**14,386**
Financial year ended –		
Singapore	18,029	25,128
Malaysia	-	15
United Arab Emirates	36	2,252
Other countries	7	20
Total	**18,072**	**27,415**

A breakdown of sales

	As at 31/03/2023	As at 31/03/2022	% increase/ (decrease)
	S$'000	S$'000	%
Sales reported for the first half year	9,028	13,029	(31)
Net (loss)/ profit after tax reported for the first half year	(606)	517	N.M
Sales reported for the second half year	9,044	14,386	(37)
Net (loss)/profit after tax reported for second half year	(2,493)	5,770	NM

6. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as 31 March 2023 and 31 March 2022.

	Group		Company	
	As at 31/3/2023	As at 31/03/2022	As at 31/3/2023	As at 31/03/2022
	S$'000	S$'000	S$'000	S$'000
Financial assets				
Cash and cash equivalents, at amortised cost	18,744	15,120	17,599	11,766
Trade and other receivables, at amortised cost	7,651	10,306	8,779	15,125
Deposits	319	364	314	269
	26,714	**25,790**	**26,692**	**27,160**
Financial liabilities				
Borrowings, at amortised cost	14,720	14,281	14,720	14,281
Trade and other payables, at amortised cost	33,645	32,628	33,827	32,617
Lease liabilities, at amortised cost	1,010	764	1,010	764
	49,375	**47,673**	**49,557**	**47,662**

E. Notes to the condensed interim consolidated financial statements

7. Profit before taxation

	Group		Group	
	6 months ended 31/03/2023	6 months ended 31/03/2022	12 months ended 31/03/2023	12 months ended 31/03/2022
	S$'000	S$'000	S$'000	S$'000
(a) Other income				
Premise rental income	294	248	539	743
Rental of equipment	46	251	213	493
Interest income	110	-	111	3
Total other income	450	499	863	1,239
(b) Other gains/(losses) - net				
Write back/(Allowance) for impairment of financial assets and contract assets	(133)	86	(133)	65
Currency exchange (loss)/gain - net	(396)	(502)	(725)	(565)
Net gain on disposal of property, plant and equipment	48	4,510	50	4,633
Property, plant and equipment written off	(42)	(70)	(42)	(72)
Net gain on disposal of subsidiaries	-	562	-	586
Sundry (loss) /gain	(539)	498	28	628
	(1,062)	5,084	(822)	5,275
(c) Included in the cost of services rendered and administrative expenses are:				
Foreign workers levy rebate	119	701	182	701
Government grant	538	94	538	1,764
Depreciation	(892)	(1,133)	(1,791)	(2,320)
(d) Finance costs				
- Interest expenses on bank borrowings	253	412	480	811
- Interest expenses on lease liabilities	6	35	17	64
	259	447	497	875

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		Group	
	6 months ended 31/03/2023	**6 months ended 31/03/2022**	**12 months ended 31/03/2023**	**12 months ended 31/03/2022**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Sales and purchases of goods and services				
Computer maintenance fees paid to an associated company	41	21	62	57

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 31/03/2023	**6 months ended 31/03/2022**	**12 months ended 31/03/2023**	**12 months ended 31/03/2022**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Current income tax expense – withholding tax	-	53	-	87
Income tax expense/(credit)	**-**	**53**	**-**	**87**

9. Net asset value

	Group		Company	
	As at 31/3/2023	**As at 31/03/2022**	**As at 31/3/2023**	**As at 31/03/2022**
Net asset value per ordinary share (in cents)	(5.6)	(4.8)	(5.6)	(4.7)

10. Financial assets at fair value through other comprehensive income

	Group and Company	
	As at 31/3/2023	**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, has reviewed 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.

E. Notes to the condensed interim consolidated financial statements

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

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

10.1. Fair value measurement

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 year ended 31 March 2023, the Group acquired assets amounting to S$58,000 (31 March 2022 : $48,000) and disposed of assets with carrying amounts of $5,000 , (31 March 2022: $948,000)

12. Borrowings

	Group	
	As at 31/3/2023	**As at 31/03/2022**
	S$'000	**S$'000**
<u>Amount repayable in one year or less, or on demand</u>		
Secured	14,720	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 $14,720,000 as at 31 March 2023, 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 31/3/2023		**As at 31/03/2022**	
	Number of shares	**Amount**	**Number 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 31 March 2023 and 31 March 2022.

The Company's subsidiaries do not hold any shares in the Company as at 31 March 2023 and 31 March 2022.

E. Notes to the condensed interim consolidated financial statements

14. Subsequent events

On 7 March 2023, the High Court of Singapore granted an order to sanction the Scheme and extended the judicial management order for the Company until 4 September 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 and further time is required for the satisfaction of the conditions precedent. Accordingly, the Company entered into a supplemental agreement on 31 May 2023 with the investors to extend the Longstop Date to 30 November 2023.

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 2023 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

2H FY2023 vs 2H FY2022

The revenue for 2H FY2023 was lower by $5.3 million from $14.4 million in 2H FY2022 to $9.0 million, mainly due to the shutdown maintenance activities carried out in 2H FY2022, and none in 2H FY2023. The absence of shutdown maintenance activities in 2H FY2023 resulted a lower gross profit margin at 18.7% compared to 32.0% in the prior period.

The significant drop of $6.1 million in other (losses)/gains for 2H FY2023 compared to prior period was largely due to net gain on disposal of property, plant & equipment of $4.5 million, and gain on disposal of subsidiaries of $0.6 million in 2H FY2022.

The administrative expenses dropped by $0.6 million in 2H FY2023 from $3.9 million in 2H FY2022 mainly due to reduced activities in the Group as certain subsidiaries were disposed of in the prior year.

The finance costs decreased to $0.2 million in 2H FY2023 as a result of the set off of the loan made by the bank in March 2022.

FY2023 vs FY2022

The revenue for FY2023 was lower by $9.3 million from $27.4 million in FY2022 to $18.1 million, mainly due to the shutdown maintenance activities carried out in FY2022, and there were minimum shutdown activities in FY2023. This decrease was offset with higher volume of maintenance services carried out in FY2023. This resulted in a lower gross profit margin reported for FY2023 of 17.1%.

The significant drop of $6.1 million in other (losses)/gains for FY2023 compared to prior period was largely due to net gain on disposal of property, plant & equipment of $4.5 million, and gain on disposal of subsidiaries of $0.6 million in FY2022.

The administrative expenses of $5.7 million in FY2022 was offset with a government grant of $1.8 million. Excluding the government grant, administrative expenses for FY2022 would have totalled $7.5 million, compared to S$5.7 million in FY2023. The drop in administration expenses in FY2023 was mainly due to the disposal of subsidiaries in prior year and continued cost cutting measures undertaken by the Company during the current financial year.

The finance costs decreased to $0.4 million in FY2023 as a result of the set off of the loan made by the bank in March 2022.

Segment Review

As the Company's 87% owned subsidiary, HS Compression & Process Pte Ltd ("HSCP") was placed under compulsory liquidation on 7 March 2022, the segment "Compression & Process Equipment Fabrication" was not included for FY2023.

2H FY2023 & Full year review

The plant construction & maintenance segment reported LBITDA of $1.5 million and $0.9 million 2H FY2023 and FY2023, respectively. This is in comparison to the prior period, where the segment reported EBITDA of $7.1 million and $9.7 million for 2H FY2022 and FY2022 respectively. The decrease in 2H FY2023 and FY2023 was mainly due to the absence of net gain from disposal of property, plant & equipment of $4.5 million, sales of subsidiaries of $0.6 million and the recognition of margin for the shutdown maintenance activities during the respective periods.

F. Other information required by Listing Rule Appendix 7.2

Segment assets & liabilities

The segment assets for plant construction & maintenance reduced by $0.8 million to $31.6 million as at 31 March 2023 mainly due to the reduction in contract assets as the Group's focus is on maintenance activities.

The liabilities for plant construction & maintenance segment increased by $0.9 million from $32.7 million as at 31 March 2022 to $33.7 million as at 31 March 2023, mainly due to the provision of professional fees in relation to the cost and expenses of the judicial management and restructuring exercise undertaken by the Company.

Geographically, the Group's revenue in UAE was lower by $2.1 million in FY2023 due to the completion of project during FY2022.

Balance Sheet Review

The Group's trade and other receivables decreased by $2.6 million from $10.3 million as at 31 March 2022 to $7.7 million as at 31 March 2023, mainly due to faster collection in the current year. The Group's cash and cash equivalents increased from $15.1 million as at 31 March 2022 to $18.7 million as at 31 March 2023.

Non-current assets reduced by $0.7 million, mainly due to the depreciation charge of $1.7 million during the financial year and was offset by an increase due to the recognition of right of use assets of $1.1 million due to further lease extension. There was also a corresponding increase in lease liabilities due to the lease extension.

The Group's trade and other payables increased by $1.0 million to $33.6 million as at 31 March 2023 mainly from the provision of the professional fees in relation to the cost and expenses of the judicial management and restructuring exercise undertaken by the Company.

The borrowings has increased to $14.7 million from $14.3 million due to the accrued interest expenses.

Cash Flow Statement Review

Despite a net loss of $3.1 million, the Group recorded a net increase in cash position of $3.7 million arising from the a positive cashflow from operating activities of $4.4 million and investing activities of $0.1 million, which was offset with the cash outflow in financing activities of $0.9 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 2023.

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 oil and gas sector is still on the path of recovery from the effects of COVID-19, with several oil majors focusing on margin preservation leading to a reduction in capital expenditures.

As the oil and gas sector transitions towards cleaner energy, opportunities for the Group lies within the pipeline of projects enabling this transition. Major uplift in planned spending are forecasted further out into 2024 and beyond. The Company is cautiously optimistic that it is well positioned to capture a share of the projects, whilst maintaining the existing maintenance portfolio.

To date, the Company has obtained the creditors' approval of the Scheme and is now awaiting for the regulatory authorities approval to approve the Proposed Transaction. The Company has also entered into a supplemental agreement on 31 May 2023 with the investors to extend the Longstop Date to 30 November 2023 to enable the completion of the Proposed Transaction.

F. Other information required by Listing Rule Appendix 7.2

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/recommended, a statement to that effect.

No dividend has been recommended for the year ended 31 March 2023 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. 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

Onn Su Sun and Lin Yueh Hung
Joint and Several Judicial Managers
31 May 2023

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.