Hiap Seng Engineering Ltd
(Judicial Managers Appointed)

TO EMERGE STRONGER

ANNUAL REPORT **2020**



OUR VISION

To be the preferred Service Provider in plant design, fabrication & construction and maintenance to the process industries in Singapore, and beyond.

OUR MISSION

To deliver efficient, reliable and quality products and services to customers in a safe and timely manner, maximum returns to shareholders and a rewarding work environment to employees.

OUR CORE VALUES

Courage, determination and great teamwork are the foundations for our success.

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ABOUT THE GROUP

We are one of the leading integrated service providers of mechanical engineering, plant fabrication & installation and plant maintenance to the oil-and-gas (serving both upstream exploration and production as well as downstream refinery and storage), petrochemical and pharmaceutical industries in Singapore, Asia Pacific and other regions. We are dedicated to providing our clients with efficient, reliable and quality produc ts and services.

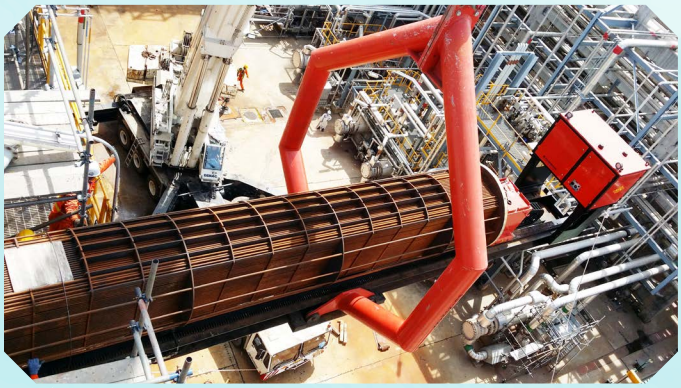


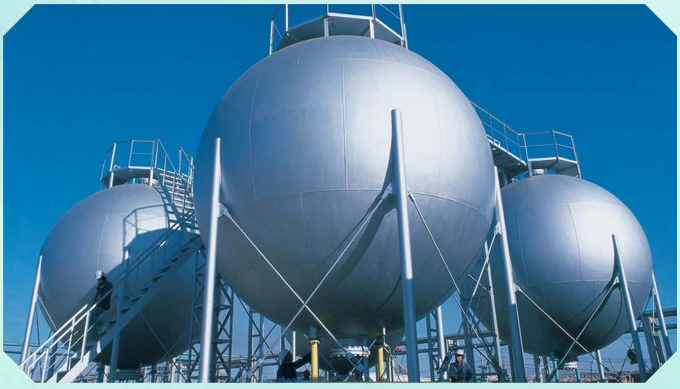
CONSTRUCTION

Mechanical Construction of Oil-and-Gas Plants, Oil Storage Terminals & Pharmaceutical Plants

PLANT MAINTENANCE

Oil-and-Gas, Chemical & Utility Plant Maintenance





EPC

Process Equipment, Gas Compressors, FPSO Topsides & Tank farms

CHAIRMAN'S STATEMENT

FINANCIAL AND OPERATING PERFORMANCE REVIEW

In FY2020, despite a slight improvement in the demand for services in the oil-and-gas industry, the Group still faced intense competition which led to a challenging financial year. The Group's business improved with overall revenue increasing by 6% to S$149.6 million in FY2020 from S$140.9 million in the previous corresponding period ("FY2019"). With higher revenue and lower costs incurred in FY2020, gross loss decreased to S$7.4 million in FY2020 from S$21.5 million in FY2019. As a result, the Group's net loss attributable to shareholders decreased to S$23.8 million in FY2020 from S$37.5 million in FY2019.

SEGMENTAL CONTRIBUTIONS

Revenue for the plant construction and maintenance segment decreased from S$134.4 million in FY2019 to S$127.1 million in FY2020, largely attributable to the lower recognition of project revenue. However, loss before income tax, depreciation and amortisation for this segment decreased from S$29.8 million in FY2019 to S$11.7 million in FY2020 mainly due to lower operating costs.

Revenue for the compression and process equipment fabrication segment increased from S$6.5 million in FY2019 to S$22.5 million in FY2020 due to higher recognition of project revenue. Loss before income tax, depreciation and amortization for this segment increased from S$3.3 million in FY2019 to S$7.0 million in FY2020 mainly due to higher operating costs incurred for this segment in deriving the revenue.

Geographically, the Group's revenue in UAE, Thailand, Malaysia and Others segment recorded an increase in revenue to S$74.7 million compared to S$28.7 million in the prior year mainly due to the commencement of a project in the UAE.



FINANCIAL POSITION REVIEW

The Group's shareholders' funds decreased by S$24.5 million, from S$7.3 million as at 31 March 2019, to a deficit of S$17.2 million as at 31 March 2020.

Hiap Seng's current assets decreased to S$36.3 million as at 31 March 2020 from S$62.1 million as at 31 March 2019. Current liabilities, including bank borrowings of S$29.3 million and contract liabilities of S$5.7 million, decreased to S$78.0 million as at 31 March 2020 from S$82.6 million as at 31 March 2019. As a result, the current ratio declined from 0.75 as at 31 March 2019 to 0.47 as at 31 March 2020.

The Group's non-current assets decreased to S$24.8 million as at 31 March 2020, from S$28.4 million as at 31 March 2019. This was largely due to depreciation charge and the disposal of a subsidiary during the year which saw a decrease in the value of property, plant and equipment. The decrease is offset by the recognition of the right-of-use assets for FY2020, on adoption of SFRS(I) 16 Leases.

Hiap Seng's cash and cash equivalents stood at S$1.9 million as at 31 March 2020 as compared to S$8.1 million as at 31 March 2019, with bank borrowings at S$29.3 million as at 31 March 2020 as compared to S$30.2 million as at 31 March 2019.

BUSINESS REVIEW AND OUTLOOK

The past year has seen tough operating conditions due to intense price competition and the impact of COVID-19 related disruptions. The Company observed a decrease in revenue within Singapore, and reduced profit margins throughout the period with intensifying market competition.

The Company observed an increasing frequency in work stoppages, spending cuts at the energy companies, cancellation of projects in the oil and gas industry and the extension, or even suspension, of construction timelines. The Company had also observed a general increasing reluctance of lenders in the Singapore market to provide financing to the oil and gas industry. In April 2019, the Company began to experience a shortening of its invoice financing facility due to the drop in new invoices, as well as restrictions in the grant of new facilities. As the global community observed wide-spread lockdowns in 2019 and 2020 in response to tackling the COVID-19 pandemic, demand for oil contracted significantly, further depressing crude oil prices which culminated in a collapse of crude oil into negative prices in April 2020 for the first time in known history.

Against this backdrop, the Company observed a significant shrinkage in the number of plant construction projects, lower bids and thinner margins, as well as a weakened cashflow and weakened credit terms from supplier and counterparts. This, in turn, affected the cashflow position of the Company and its subsidiaries.

In 2020, the Group was in financial distress due to difficulties faced with its liquidity resulting in the Group being in a weak and challenging financial position. Delays in project work commencement, project stoppages and harsh market conditions also led to costs overrun in certain projects. Due to COVID-19 safety measures and restrictions imposed, the Group expects further decrease in revenue.

The Company had been pursuing all available avenues to ease its liquidity constraints and to generate cash. Further to this, the Company's subsidiary, Hiap Seng Engineering (Thailand) Co., Ltd., ("HSE Thailand")'s factory buildings, workshop and two-storey building ("Property") together with plant and equipment ("Assets") were put up for sale. HSE Thailand received a formal offer from a third party buyer of Thailand Baht 300 million (approximately S$13.3 million) and had on 8 October 2020 entered into the sale and purchase agreements for the Property and the Assets. Shareholders approved the proposed disposal via an Extraordinary General Meeting convened on 13 January 2021 and the sale was completed on 18 January 2021. Thereafter, HSE Thailand was placed under voluntary liquidation.

The Company managed to preserve the livelihoods of staff and workers with the financial assistance of the Singapore Government, through Jobs Support Scheme as well as Foreign Workers Levy Rebate. Hence, this enabled the Company to continue servicing its clients and keep the essential services operational.

Based on the projections prepared by Management, the Group would likely be in a cash deficit position by the end of 2020. Accordingly, the Board has concluded that the Company would likely be faced with going concern issues and thereto, on 28 July 2020, the Company and its subsidiary HS Compression & Process Pte Ltd ("HSCP"), each filed an application in the High Court of Singapore for, amongst others, orders

CHAIRMAN'S STATEMENT

that they be placed under judicial management pursuant to Section 227B of the Companies Act. 1967 of Singapore. Judicial management is an administration where independent judicial managers are appointed to manage the affairs, business and property of a company usually under financial distress. The Company was also granted a moratorium and stay from all proceedings during the judicial management period, giving it the time and opportunity to rehabilitate and pursue a restructuring with its creditors.

The Group continues to concentrate its efforts and directs its resources towards the plant construction and maintenance works business, including mechanical, civil, electrical and instrumentation services for the oil, gas and energy industrial sectors, including process plants and facilities including storage terminals. We have accordingly scaled down the Engineering, Procurement and Construction ("EPC") services for process plants and facilities including storage terminals and for process equipment, gas compressors and FPSO topsides.

The Group aims to develop into a resilient and sustainable business with growth opportunities and an emphasis on continuous improvements in all aspects of the business, such as product quality, health and safety standards, timely deliveries, cost efficiencies and optimal resource allocation and utilisation. We recognise the need to remain focused in providing customers with quality products and services in a timely manner, particularly within areas of our core competencies.

With the continued market pressure and rising costs, the Group will remain prudent in managing its operating costs, increasing productivity and efficiency as well as ensuring profitability on the projects undertaken.

A WORD OF APPRECIATION

On behalf of the Board, I thank all our staff for their diligence and unwavering commitment to the Group.

A special note of appreciation to the Singapore government and its agencies for their patience and assistance which helped see us through this challenging period.

We would also like to thank our clients and business partners for their steadfast support and conviction in us. Your confidence in our ability to rise above the challenges strengthens our resolve to recover and fortify our standing in the industry.

To my fellow Board members, who have been generous with their invaluable advice and guidance throughout these challenging years, I would like to express my heartfelt gratitude.

TAN AH LAM FRANKIE
CHAIRMAN

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DIRECTORS' STATEMENT

For the financial year ended 31 March 2020

The directors present their statement to the members together with the audited consolidated financial statements of Hiap Seng Engineering Ltd (under Judicial Management) (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2020 and the balance sheet of the Company as at 31 March 2020.

The Company and its subsidiary, HS Compression & Process Pte Ltd ("HSCP") have been placed under judicial management since 15 September 2020 and, Ms. Oon Su Sun and Mr. Lin Yueh Hung, care of RSM Corporate Advisory Pte. Ltd., were appointed as joint and several Judicial Managers (the "Judicial Managers" or "JMs"). Since then, the JMs have been managing the affairs, business and properties of the Company and HSCP in order to achieve, amongst others, the survival of the Company, a more advantageous realisation of the assets of the Company and a restructuring of the debt and liabilities via a scheme of arrangement with its creditors and principal lender. HSCP was ordered by the Court to be wound up on 7 March 2022.

As at the date of this report, the ability of the Group and the Company to continue in operation in the foreseeable future and to meet their financial obligations as and when they fall due is dependent on the matters set out in Note 2.1 to the financial statements.

The directors are of the opinion that the preparation of these financial statements on a going concern basis provides sufficient information to serve the interests of shareholders and other stakeholders who may use these financial statements. Further details on the basis of preparation of these financial statements are set out in Note 2.1 to the financial statements.

In the opinion of the directors,

(a) having regard to and taking into consideration the matters disclosed in Note 2.1 to the financial statements, the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 14 to 79 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, subject to the matters referred to in Note 2.1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr Tan Ah Lam
Mr Tan Leau Kuee @ Tan Chow Kuee
Mr Tan Lian Chew
Dr John Chen Seow Phun
Mr Koh Kim Wah
Mr M. Rajaram

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.3.2020	At 1.4.2019	**At 31.3.2020**	At 1.4.2019
Hiap Seng Engineering Ltd (under Judicial Management)				
(No. of ordinary shares)				
Mr Tan Ah Lam	**3,319,500**	3,319,500	**70,788,639**	70,788,639
Mr Tan Leau Kuee @ Tan Chow Kuee	**–**	–	**70,788,639**	70,788,639
Mr Tan Lian Chew	**3,601,761**	3,601,761	**–**	–
Mr Koh Kim Wah	**–**	–	**278,000**	278,000
Mr M. Rajaram	**300,000**	300,000	**–**	–

(b) Mr Tan Ah Lam and Mr Tan Leau Kuee @ Tan Chow Kuee, who by virtue of their interests of not less than 20% of the issued capital of the Company, are deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group:

	No. of ordinary shares	
	At 31.3.2020	At 1.4.2019
HS Compression & Process Pte Ltd (In Compulsory Liquidation)	**4,124,999**	4,124,999
Hiap Seng Engineering (Thailand) Co., Ltd (In Voluntary Liquidation)	**2,799,999**	2,749,999
Hiap Seng Engineering Limited FZC	**97,906**	97,906
ProEn Scaffold Pte Ltd[1]	**–**	1,362,878

[1] Disposed during the financial year ended 31 March 2021

(c) The directors' interests in the ordinary shares of the Company as at 21 April 2020 were the same as those as at 31 March 2020.

Share options

No options have been granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 March 2020

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Dr John Chen Seow Phun (Chairman)
Mr Koh Kim Wah
Mr M. Rajaram

Since 15 September 2020, the Company was placed under judicial management and the judicial managers were appointed. The JMs reviewed:

(a) the assistance given by the Company's management to the independent auditor; and

(b) the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2020, as well as the Independent Auditor's Report thereon, for the submission to the Board of Directors.

The JMs recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

TAN AH LAM
Director

TAN LEAU KUEE @ TAN CHOW KUEE
Director

15 November 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Hiap Seng Engineering Ltd (under Judicial Management)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT)

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Hiap Seng Engineering Ltd (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended 31 March 2020;
- the balance sheet of the Group as at 31 March 2020;
- the balance sheet of the Company as at 31 March 2020;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements, which indicates that the Group incurred a net loss of $25,628,000 for the financial year ended 31 March 2020 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by $41,689,000 and $31,590,000 respectively. It is further indicated the Company and one of its subsidiaries were placed under judicial management on 15 September 2020. The ability of the Group and the Company to continue as going concerns is subject to the completion of the Restructuring Exercise as disclosed in Note 2.1 which is currently ongoing. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

To the members of Hiap Seng Engineering Ltd (under Judicial Management)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT) (continued)

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 March 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Contracts with performance obligations satisfied over time (Refer to Note 2.3, Note 3 and Note 4) During the financial year ended 31 March 2020, revenue from shutdown maintenance and plant and equipment construction contracts amounted to $107.1 million (Note 4), which represented 71.6% of the total revenue of the Group. Revenue from shutdown maintenance and equipment construction contracts are recognised over time by reference to the progress towards satisfaction of performance obligations under these contracts. Measurement of progress of the projects at the reporting date is based on the proportion of contract costs incurred to date over the estimated total contract costs. We focused on this area due to the significant amount of judgement required in the estimation of the total contract costs to complete used to determine the measurement of progress of the projects at the reporting date, which affects the revenue recognised and the provision for onerous contracts.	We performed the following audit procedures for contracts selected on a sample basis: (a) Understand and evaluate the relevant controls relating to the preparation of, and revision to, total project revenue and costs. (b) Obtain an understanding of the projects in progress through discussions with management and project managers. (c) Trace total contract sums to contract entered into by the Group and its customers. (d) Obtain evidence of contract modifications (including variation orders and claims) recognised by verifying to customer orders and acknowledgement of the claims. (e) Assess the adequacy of the amount of liquidated damages to be net off against contract sums, based on our understanding of the projects. (f) Assess the reasonableness of management's estimates of total project costs: (i) Review the project status and risks associated with the timely completion of the project; (ii) Compare actual costs incurred against budgeted project costs; (iii) Agree actual costs incurred to invoices from material suppliers and subcontractors, and payroll records;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT) (continued)

Our Audit Approach (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	(iv) Assess the adequacy of the amount of provision for onerous contracts (where relevant) for each project. (g) Re-compute the measurement of progress based on contract costs incurred to date as a proportion over the estimated total contract costs. (h) Re-compute the amount of revenue recognised in the current financial year based on the measurement of progress. Based on the audit procedures performed above, we found management's estimation of project revenue and project costs to be appropriately supported, and the disclosures in this respect, to be adequate.

Other information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report (the "Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT) (continued)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Maurice Loh Seow Wee.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 15 November 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2020

	Note	**2020**	2019
		$'000	$'000
Revenue	4	**149,619**	140,932
Cost of services rendered	5	**(156,999)**	(162,406)
Gross loss		**(7,380)**	(21,474)
Other income	7	**109**	2
Other gains/(losses) - net			
- Allowance for impairment of financial assets and contract assets		**(1,318)**	(115)
- Others	7	**379**	425
Expenses			
- Administrative	5	**(16,363)**	(17,185)
- Finance	8	**(1,121)**	(933)
		(25,694)	(39,280)
Share of loss of associated companies	14	**(31)**	(14)
Loss before income tax		**(25,725)**	(39,294)
Income tax credit/(expense)	9	**97**	(198)
Total loss		**(25,628)**	(39,492)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**(90)**	(867)
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**29**	(18)
Financial assets, at FVOCI			
- Fair value losses – equity investments	26(b)(iii)	**(595)**	(1,175)
Other comprehensive loss, net of tax		**(656)**	(2,060)
Total comprehensive loss		**(26,284)**	(41,552)
Loss attributable to:			
Equity holders of the Company		**(23,807)**	(37,450)
Non-controlling interests		**(1,821)**	(2,042)
		(25,628)	(39,492)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(24,492)**	(39,492)
Non-controlling interests		**(1,792)**	(2,060)
		(26,284)	(41,552)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
Basic and diluted loss per share	10	**(7.8)**	(12.3)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET - GROUP

As at 31 March 2020

	Note	Group 31 March 2020 $'000	Group 31 March 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**1,885**	8,098
Trade and other receivables	12	**20,992**	25,435
Contract assets	4(b)	**10,004**	22,285
Other current assets	13	**3,434**	6,281
		36,315	62,099
Non-current assets			
Investments in associated companies	14	**255**	297
Property, plant and equipment	17	**23,550**	26,447
Financial assets, at FVOCI	18	**712**	1,307
Club memberships	19	**253**	270
Deferred income tax assets	24	**–**	57
		24,770	28,378
Total assets		**61,085**	90,477
LIABILITIES			
Current liabilities			
Trade and other payables	20(a)	**41,207**	36,153
Provision for onerous contracts	20(b)	**266**	5,852
Contract liabilities	4(b)	**5,667**	10,590
Current income tax liabilities		**27**	7
Borrowings	21	**29,326**	29,950
Lease liabilities		**1,511**	–
		78,004	82,552
Non-current liabilities			
Borrowings	21	**–**	284
Lease liabilities		**1,667**	–
Deferred income tax liabilities	24	**748**	933
		2,415	1,217
Total liabilities		**80,419**	83,769
NET (LIABILITIES)/ASSETS		**(19,334)**	6,708
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	**36,178**	36,178
Other reserves	26	**(494)**	191
Accumulated losses		**(52,911)**	(29,104)
		(17,227)	7,265
Non-controlling interests	15	**(2,107)**	(557)
Total equity		**(19,334)**	6,708

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET - COMPANY

As at 31 March 2020

	Note	Company	
		31 March 2020	31 March 2019
		$'000	$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**360**	6,512
Trade and other receivables	12	**29,300**	29,085
Contract assets	4(b)	**1,723**	17,813
Other current assets	13	**1,247**	1,762
		32,630	55,172
Non-current assets			
Investments in subsidiaries	15	**2,254**	5,018
Investment property	16	**–**	–
Property, plant and equipment	17	**9,815**	8,497
Financial assets, at FVOCI	18	**712**	1,307
Club memberships	19	**253**	270
		13,034	15,092
Total assets		**45,664**	70,264
LIABILITIES			
Current liabilities			
Trade and other payables	20(a)	**37,666**	35,201
Provision for onerous contracts	20(b)	**177**	5,852
Contract liabilities	4(b)	**2,902**	3,414
Current income tax liabilities		**3**	–
Borrowings	21	**22,025**	21,125
Lease liabilities		**1,447**	–
		64,220	65,592
Non-current liabilities			
Lease liabilities		**1,599**	–
Deferred income tax liabilities	24	**322**	478
		1,921	478
Total liabilities		**66,141**	66,070
NET (LIABILITIES)/ASSETS		**(20,477)**	4,194
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	**36,178**	36,178
Other reserves	26	**(1,770)**	(1,175)
Accumulated losses	27	**(54,885)**	(30,809)
Total equity		**(20,477)**	4,194

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2020

	Attributable to equity holders of the Company					
	Share capital	Other reserves	(Accumulated losses) / retained profits	Total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
2020						
Balance as at 1 April 2019	**36,178**	**191**	**(29,104)**	**7,265**	**(557)**	**6,708**
Loss for the year	–	–	(23,807)	(23,807)	(1,821)	(25,628)
Other comprehensive income/(loss) for the year	–	(685)	–	(685)	29	(656)
Total comprehensive loss for the year	–	(685)	(23,807)	(24,492)	(1,792)	(26,284)
Disposal of a subsidiary (Note 15)	–	–	–	–	242	242
Balance as at 31 March 2020	**36,178**	**(494)**	**(52,911)**	**(17,227)**	**(2,107)**	**(19,334)**
2019						
Balance as at 1 April 2018	**36,178**	**2,233**	**8,346**	**46,757**	**(182)**	**46,575**
Loss for the year	–	–	(37,450)	(37,450)	(2,042)	(39,492)
Other comprehensive loss for the year	–	(2,042)	–	(2,042)	(18)	(2,060)
Total comprehensive loss for the year	–	(2,042)	(37,450)	(39,492)	(2,060)	(41,552)
Capital contribution from non-controlling interests	–	–	–	–	1,685	1,685
Balance as at 31 March 2019	**36,178**	**191**	**(29,104)**	**7,265**	**(557)**	**6,708**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Total loss		**(25,628)**	(39,492)
Adjustments for:			
- Income (credit)/expense		**(97)**	198
- Impairment of financial assets and contract assets		**1,318**	115
- Depreciation		**5,909**	4,809
- Net gain on disposal of property, plant and equipment		**(701)**	(357)
- Property, plant and equipment written off		**748**	2
- Club membership written off		**17**	–
- Unrealised currency translation (gains)/losses		**(394)**	496
- Interest expense		**1,121**	933
- Interest income		**(1)**	(2)
- Dividend income		**(108)**	–
- Impairment of goodwill		**–**	503
- Share of loss of associated companies		**31**	14
- Impairment of property, plant and equipment		**195**	**–**
- Net gain on disposal of a subsidiary		**(304)**	**–**
		(17,894)	(32,781)
Change in working capital, net of effects from acquisition and disposal of subsidiaries:			
- Contract assets		**12,033**	17,349
- Trade and other receivables		**3,422**	(12,703)
- Other current assets		**2,649**	(2,239)
- Contract liabilities		**(4,923)**	7,470
- Trade and other payables and provisions		**1,747**	18,016
Cash used in operations		**(2,966)**	(4,888)
Income tax paid		**(17)**	(198)
Net cash used in operating activities		**(2,983)**	(5,086)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**734**	650
Disposal of a subsidiary, net of cash and cash equivalents disposed of	15	**12**	–
Purchases of property, plant and equipment		**(772)**	(8,340)
Proceeds from disposal of club membership		**–**	49
Interest received		**1**	2
Net cash used in investing activities		**(25)**	(7,639)
Cash flows from financing activities			
Interest paid		**(1,121)**	(933)
Net repayment of bank financing (trust receipts)		**(566)**	(281)
Release of bank deposit pledged		**–**	1,127
Proceeds from bank borrowings		**41,629**	63,709
Repayment of bank borrowings		**(43,494)**	(50,084)
Proceeds from loans from non-controlling interests		**–**	197
Repayment of principal portion of lease liabilities		**(1,582)**	(211)
Net cash (used in)/provided by financing activities		**(5,134)**	13,524
Cash and cash equivalents			
Net (decrease)/increase in cash and cash equivalents		**(8,142)**	**799**
Beginning of financial year	11	**7,629**	**6,683**
Effects of currency translation on cash and cash equivalents		**122**	**147**
End of financial year	11	**(391)**	**7,629**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2020

Reconciliation of liabilities arising from financing activities

	1 April 2019 $'000	Cash flows $'000	Non-cash changes $'000				31 March 2020 $'000
			Adoption of SFRS(I) 16	Interest expenses	Disposal of a subsidiary	Foreign exchange movement	
Bank borrowings	16,125	(1,481)	–	456	–	–	15,100
Trade receivables invoice financing	10,000	(1,075)	–	235	–	87	9,247
Bank financing (trust receipts)	3,194	(772)	–	206	–	75	2,703
Finance lease liabilities	446	–	(446)	–	–	–	–
Lease liabilities	–	(1,754)	4,988	172	(232)	4	3,178

	1 April 2018 $'000	Cash flows $'000	Non-cash changes $'000			31 March 2019 $'000
			Interest expenses	Conversion of loan to equity	Foreign exchange movement	
Bank borrowings	12,500	3,149	476	–	–	16,125
Trade receivables invoice financing	–	9,793	207	–	–	10,000
Bank financing (trust receipts)	3,429	(435)	154	–	46	3,194
Loans from non-controlling interests	1,441	197	–	(1,685)	47	–
Finance lease liabilities	654	(237)	26	–	3	446

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Hiap Seng Engineering Ltd (under Judicial Management) (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.

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. The principal activities of the subsidiaries are set out in Note 36 to the financial statements.

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. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Going concern

The consolidated 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 date of this report.

The Group reported net loss after tax of $25,628,000 for the financial year ended 31 March 2020. As at 31 March 2020, the Group and the Company reported a net current liability position of $41,689,000 and $31,590,000 respectively.

Judicial Management

On 15 September 2020, the Company and its subsidiary, HS Compression & Process Pte Ltd ("HSCP"), were placed under judicial management.

The objectives of the judicial management order are to achieve one or more of the following purposes:

(a) Survival of the Company, or the whole or part of its undertaking as a going concern;

(b) The approval under Section 210 of the Companies Act 1967 or Section 71 of the Insolvency, Restructuring and Dissolution Act 2018 of a compromise or arrangement between the Company and any such persons as mentioned in those sections; and/or

(c) A more advantageous realisation of the Company's assets than on winding up.

2. Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

Going concern (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 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.

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 $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 Court 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 Court had granted an order to sanction the Scheme of Arrangement ("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 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.

With reference to the events after the balance sheet date (Note 34), 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 Scheme of Arrangement, and execution of the restructuring deed (collectively, the "Restructuring Exercise"). In addition, the Group also plan to undertake a rights issue exercise to raise up to $3.3 million upon completion of the Proposed Transaction. In this respect, the Group believes that its liabilities and working capital needs can be met as and when they fall due in the next 12 months from the date of this report.

Borrowings from the Creditors

The Group has classified the outstanding borrowings amounting to $29,326,000 as at 31 March 2020, as "Current Liabilities" as the Company had breached certain covenant requirements and the repayment terms 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 prescribes how the Company's liabilities due to the principal lender will be discharged or provided for. Upon successful completion of the Proposed Transaction, the Company will utilise the proceeds from the investments by the investors for the partial settlement of the principal amounts and interests under the loans owing to the principal lender prior to 15 September 2020.

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

Under the Scheme, the Scheme Debt will be partially settled by way of a cash distribution and an issuance of settlement shares. The balance of the Scheme Debt shall be irrevocably and forever released, discharged and extinguished upon the successful completion of the Proposed Transaction and Scheme implementation post-restructuring.

2. Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

Cash flows from operating activities

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

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

On the above basis, the financial statements for the financial year ended 31 March 2020 is prepared on a going concern basis.

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

If for any reason the Group and the Company are unable to continue as going concerns, 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.

2.2 Interpretations and amendments to published standards effective in 2019

On 1 April 2019, the Group adopted the new or amended SFRS(I) and Interpretations to SFRS(I) ("INT SFRS(I)") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*.

Adoption of SFRS(I) 16 *Leases*

When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as lease expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15.

The Group has adopted SFRS(I) 16 retrospectively without restating comparative figures by determining the lease liability as of 1 April 2019 and measure the right-of-use asset at the same amount. The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

2. Significant Accounting Policies (continued)

Adoption of SFRS(I) 16 *Leases* (continued)

When the Group is the lesse (continued)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 April 2019 and that were previously identified as leases under SFRS(I) 1-17 *Lease* and INT SFRS(I) 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

ii) On a lease-by-lease basis, the Group has:

a. Accounted for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;

b. Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

c. Relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review; and

d. Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 April 2019.

For leases previously classified as operating leases on 1 April 2019, the Group has applied the following transition provisions:

i) The Group chose to measure its ROU at a carrying amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 April 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

iii) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 April 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

The effects of adoption of SFRS(I) 16 as at 1 April 2019 are as follows:

	Group Increase/ (Decrease) $'000	Company Increase/ (Decrease) $'000
Property, plant and equipment	4,542	4,458
Lease liabilities	4,988	4,458
Borrowings	(446)	–

2. Significant accounting policies (continued)

2.2 Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 *Leases* (continued)

When the Group is the lessee (continued)

An explanation of the difference between the operating lease commitments previously disclosed in the financial statements as at 31 March 2019 and the lease liabilities recognised in the balance sheet as at 1 April 2019 are as follows:

	Group $'000	Company $'000
Operating lease commitments disclosed as at 31 March 2019	34,418	32,765
Less: Short-term leases and low-value leases	(372)	(7)
Less: Adjustments relating to changes in the lease terms of conditional leases*	(29,060)	(27,862)
Less: Discounting effects using weighted average incremental borrowing rate of 3.08%	(444)	(438)
Add: Finance lease liabilities recognised as at 31 March 2019	446	–
Lease liabilities recognised as at 1 April 2019	**4,988**	**4,458**

* The adjustments relating to changes in the lease term of conditional leases are due to uncertainty in the Group's ability to fulfil the conditions associated with the lease extension granted by the lessor. Refer to Note 3 for details on the critical judgement over the conditional extension of lease terms.

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Construction of plant and equipment
Rendering of shutdown maintenance services

The Group renders shutdown maintenance services, and constructs plant and equipment, including compression and process equipment, for customers through fixed-price contracts. Revenue is recognised when the shutdown maintenance services are rendered or control over the plant and equipment has been transferred to the customer. At contract inception, the Group assesses whether the Group renders shutdown maintenance services or transfers control of the plant and equipment over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The shutdown maintenance services or plant and equipment has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the shutdown maintenance services or construction of the plant and equipment. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

2. Significant accounting policies (continued)

2.3 Revenue recognition (continued)

(a) Construction of plant and equipment
Rendering of shutdown maintenance services (continued)

Management has determined that the input method best depicts the Group's performance in transferring control of goods or services to customers for its existing shutdown maintenance or plant and equipment construction contracts, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for these contracts.

The period between the transfer of the promised goods or services and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue from shutdown maintenance or plant and equipment construction contracts are also adjusted with variations to the contracts claimable from customers, as well as liquidated damages due to delays or other causes, payable to customers.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The customer is invoiced on a milestone payment schedule with a credit term of 30 to 60 days. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(b) Rendering of maintenance services

Revenue from maintenance services is recognised in the accounting period in which the services are rendered, and in the amounts to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable with a credit term of 30 to 60 days.

2. Significant accounting policies (continued)

2.3 Revenue recognition (continued)

(c) Sale of goods

Revenue from the sale of spare parts is recognised upon delivery of the spare parts to the customer (i.e., at a point in time). Customers are invoiced on a monthly basis and consideration is payable with a credit term of 30 to 60 days.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" in Note 2.7 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(c) Associated companies (continued)

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to paragraph "Investments in subsidiaries and associated companies" in Note 2.7 for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.5 Property, plant and equipment

(a) Measurement

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment, including freehold building, is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land and buildings	10 - 30 years or over the lease term, whichever is shorter
Motor vehicles	4 - 5 years
Plant and machinery	5 - 15 years
Furniture, fittings and equipment	3 - 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains/(losses) - net".

2.6 Investment property

Investment property comprises significant portions of leasehold office building that are held for long-term rental yields and/or for capital appreciation.

Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the period of the estimated useful lives of 10 to 30 years, or over the lease term, whichever is shorter. The residual values, useful lives and depreciation method of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

2.7 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets

Club memberships, property, plant and equipment, investments in subsidiaries and associated companies, and investment property are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.9 Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost and;
- Fair value through other comprehensive income (FVOCI).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) Classification and measurement (continued)

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Company managed these groups of financial assets by collecting the contractual cash flows and these cash flows represent solely payments of principal and interest. Accordingly, these groups of financial assets are measured at amortised cost subsequent to initial recognition.

A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest rate method.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains/(losses) - net", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant.

Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of these balances.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(c) Recognition and derecognition (continued)

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceeds is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

2.10 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2. Significant accounting policies (continued)

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

The accounting policy for leases before 1 April 2019 were as follows:

When the Group is the lessee:

The Group leases motor vehicles and certain property, plant and equipment under finance leases and land, factories and offices under operating leases from non-related parties.

Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2. Significant accounting policies (continued)

2.15 Leases (continued)

The accounting policy for leases from 1 April 2019 are as follows:

When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Company's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term and low-value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

2. Significant accounting policies (continued)

2.18 Employee compensation (continued)

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars ("SGD"), which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the date of transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other losses/gains - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustment arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2. Significant accounting policies (continued)

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management team whose members are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts and restricted bank deposits. Bank overdrafts are presented as current borrowings on the balance sheet.

For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are net of related expenses.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.24 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimation of total contract costs

The Group has significant 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 costs ("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.

If the estimated contract costs to complete of on-going contracts to be incurred had been higher by 10% from management's estimates, the Group's revenue and results before tax would have been lower by $648,000 and $745,000 respectively.

(b) Critical judgement over conditional extension of lease terms

As at 31 March 2020, the Group's lease liabilities, which are measured based on the lease terms, amounted to $3,178,000. 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.

As at 31 March 2020, future (undiscounted) cash outflows of approximately $29,060,000 have not been included in lease liabilities because it is not reasonably certain based on the Group's financial position that it is able to fulfil the conditions associated with the lease extension granted.

4. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

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 and maintenance	Compression and process fabrication	Total
	$'000	$'000	$'000	$'000
2020				
Rendering of maintenance services	**–**	**40,796**	**–**	**40,796**
Shutdown maintenance	**–**	**27,143**	**–**	**27,143**
Construction of plant and equipment	**–**	**58,669**	**21,323**	**79,992**
Others	**1,688**	**–**	**–**	**1,688**
	1,688	**126,608**	**21,323**	**149,619**
2019				
Rendering of maintenance services	–	39,772	–	39,772
Shutdown maintenance	–	29,210	–	29,210
Construction of plant and equipment	–	65,439	6,492	71,931
Others	19	–	–	19
	19	134,421	6,492	140,932

(b) Contract assets and liabilities

	31 March		1 April
	2020	2019	2018
	$'000	$'000	$'000
Group			
Contract assets	**10,252**	22,285	39,633
Less: Loss allowance (Note 30(b))	**(248)**	–	–
Total contract assets	**10,004**	22,285	39,633
Contract liabilities	**5,667**	10,590	3,119
Company			
Contract assets	**1,723**	17,813	24,934
Contract liabilities	**2,902**	3,414	1,244

4. Revenue from contracts with customers (continued)

(b) Contract assets and liabilities (continued)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date on construction contracts. The decrease in contract assets was mainly due to there being more contracts which crossed the agreed payment milestones for services and works completed as compared to the previous year end.

Contract liabilities primarily relates to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for construction contracts. The decrease in contract liabilities was mainly due to lesser contracts in which the Group billed and received consideration ahead of the provision of services.

(i) Revenue recognised in relation to contract liabilities

	Group 31 March	
	2020	2019
	$'000	$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
- Plant and equipment construction contracts	**10,590**	3,119

(ii) Unsatisfied performance obligations

	Group 31 March	
	2020	2019
	$'000	$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 March		
- Plant and equipment construction contracts	**37,311**	126,000

5. Expenses by nature

	Group	
	2020	2019
	$'000	$'000
Sub-contractor charges	**54,403**	71,502
Structural materials and other related costs	**42,882**	20,895
Employee compensation (Note 6)	**49,528**	62,323
Foreign worker levy	**4,616**	6,488
Rental expenses	**308**	1,819
Transportation & logistic expenses	**10,951**	6,876
Professional fees	**925**	479
Directors' fees	**201**	195
Utilities expenses	**714**	646
Depreciation of property, plant and equipment (Note 17)	**5,909**	4,809
Fees on audit services paid to:		
- Auditor of the Company		
- Current year	**463**	255
- Other auditors *	**100**	74
Non-audit fees paid to:		
- Auditor of the Company	**6**	–
- Other auditors *	**–**	9
Other expenses	**2,356**	3,221
Total cost of services rendered and administrative expenses	**173,362**	179,591

* Includes the network of member firms of PricewaterhouseCoopers International Limited.

6. Employee compensation

	Group	
	2020	2019
	$'000	$'000
Wages and salaries	**48,390**	60,702
Government grants	**(169)**	(310)
Employer's contribution to defined contribution plans including Central Provident Fund	**1,307**	1,931
	49,528	62,323

7. Other income and other gains/(losses) - net

	Group	
	2020	2019
	$'000	$'000
Other income:		
- Dividend income	**108**	–
- Interest income	**1**	2
	109	2
Other gains/(losses) - net:		
- Currency exchange gain - net	**145**	405
- Net gain on disposal of property, plant and equipment	**701**	357
- Property, plant and equipment written off	**(748)**	(2)
- Net gain on disposal of a subsidiary (Note 15)	**304**	–
- Impairment of goodwill	**–**	(503)
- Impairment of property, plant and equipment (Note 17)	**(195)**	–
- Impairment of club membership	**(17)**	–
- Sundry gain	**189**	168
	379	425

8. Finance expenses

	Group	
	2020	2019
	$'000	$'000
Interest expense		
- Bank overdrafts	**52**	70
- Bank borrowings	**897**	837
- Finance lease liabilities	**–**	26
- Lease liabilities (Note 23(c))	**172**	–
	1,121	933

9. Income taxes

	Group	
	2020	2019
	$'000	$'000
Tax (credit)/expense attributable to results is made up of:		
Current income tax		
- Foreign	**37**	192
Deferred income tax (Note 24)	**(134)**	6
	(97)	198

9. Income taxes (continued)

The tax on the Group's results differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2020	2019
	$'000	$'000
Loss before tax	**(25,725)**	(39,294)
Less: Share of loss of associated companies, net of tax	**31**	14
Loss before tax and share of profit of associated companies	**(25,694)**	(39,280)
Tax calculated at tax rate of 17% (2019: 17%)	**(4,368)**	(6,678)
Effects of:		
- different tax rates in other countries	**(101)**	181
- income not subject to tax	**(38)**	(23)
- expenses not deductible for tax purposes	**553**	322
- utilisation of previously unrecognised capital allowances	**–**	(151)
- deferred tax asset not recognised:		
- unutilised tax losses and capital allowances	**3,820**	6,355
- withholding tax	**37**	192
Tax (credit)/expense	**(97)**	198

10. Losses per share

(a) Basic losses per share

Basic losses per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2020	2019
Net loss attributable to equity holders of the Company ($'000)	**(23,807)**	(37,450)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**303,750**	303,750
Basic loss per share (cents per share)	**(7.8)**	(12.3)

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share for the financial years ended 31 March 2020 and 2019 as the Group did not have any potential ordinary shares outstanding as at 31 March 2020 and 2019.

11. Cash and cash equivalents

	Group 31 March		Company 31 March	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**1,885**	8,098	**360**	6,512

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2020	2019
	$'000	$'000
Cash and bank balances (as above)	**1,885**	8,098
Less: Bank overdrafts (Note 21)	**(2,276)**	(469)
Cash and cash equivalents per consolidated statement of cash flows	**(391)**	7,629

12. Trade and other receivables

	Group 31 March		Company 31 March	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Trade receivables:				
- Non-related parties	**21,283**	25,873	**12,291**	18,032
- Subsidiaries	**–**	–	**8,843**	8,613
- Associated companies	**–**	–	**–**	–
	21,283	25,873	**21,134**	26,645
Less: Allowance for impairment				
- non-related parties (Note 30(b))	**(1,526)**	(994)	**–**	(74)
- subsidiaries	**–**	–	**(3,829)**	(3,364)
Trade receivables - net	**19,757**	24,879	**17,305**	23,207
Other receivables	**1,141**	556	**666**	21
Less: Allowance for impairment	**(12)**	–	**–**	–
Other receivables - net	**1,129**	556	**666**	21
Dividend receivables	**106**	–	**106**	–
Loans to subsidiaries	**–**	–	**26,225**	21,733
Less: Allowance for impairment	**–**	–	**(21,338)**	(17,507)
Loans to subsidiaries - net (Note 31(c))	**–**	–	**4,887**	4,226
Non-trade receivables:				
- Subsidiaries	**–**	–	**7,917**	1,631
Less: Allowance for impairment	**–**	–	**(1,581)**	–
Non-trade receivables - net (Note 31(d))	**–**	–	**6,336**	1,631
	20,992	25,435	**29,300**	29,085

13. Other current assets

	Group 31 March		Company 31 March	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Deposits	**1,656**	2,998	**268**	288
Prepayments	**1,860**	3,283	**979**	1,474
	3,516	6,281	**1,247**	1,762
Less: Impairment of other current assets	**(82)**	–	**–**	–
	3,434	6,281	**1,247**	1,762

14. Investments in associated companies

	Group 31 March	
	2020	2019
	$'000	$'000
Beginning of financial year	**297**	310
Currency translation differences	**(11)**	1
Share of losses	**(31)**	(14)
End of financial year	**255**	297

Details of associated companies are provided in Note 36.

The directors are of the opinion that the associated companies are immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for associated companies are disclosed.

15. Investments in subsidiaries

	Company	
	2020	2019
	$'000	$'000
Equity investments at cost		
Beginning of financial year	**26,753**	10,538
Additions	**–**	16,215
End of financial year	**26,753**	26,753
Less: Allowance for impairment losses	**(24,499)**	(21,735)
	2,254	5,018

Details of subsidiaries are provided in Note 36.

15. Investments in subsidiaries (continued)

Carrying value of non-controlling interests

	2020	2019
	$'000	$'000
HS Compression & Process Pte Ltd (in Compulsory Liquidation)	**(2,395)**	(1,460)
Hiap Seng Engineering (Thailand) Co., Ltd (in Voluntary Liquidation)	**(118)**	103
Other subsidiaries with immaterial non-controlling interests	**406**	800
Total	**(2,107)**	(557)

Summarised financial information of subsidiaries with material non-controlling Interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised balance sheet

	HS Compression & Process Pte Ltd (in Compulsory Liquidation) As at 31 March		**Hiap Seng Engineering (Thailand) Co., Ltd (in Voluntary Liquidation) As at 31 March**	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Current				
Assets	**8,791**	5,256	**2,355**	3,185
Liabilities	**(27,164)**	(16,487)	**(13,149)**	(12,196)
Total current net liabilities	**(18,373)**	(11,231)	**(10,794)**	(9,011)
Non-current				
Assets	**71**	48	**8,457**	10,020
Liabilities	**(62)**	(8)	**(12)**	(58)
Total non-current net assets	**9**	40	**8,445**	9,962
Net (liabilities)/assets	**(18,364)**	(11,191)	**(2,349)**	951

Summarised statement of comprehensive income

	HS Compression & Process Pte Ltd (in Compulsory Liquidation) For the year ended 31 March		**Hiap Seng Engineering (Thailand) Co., Ltd (in Voluntary Liquidation) For the year ended 31 March**	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Revenue	**27,162**	6,045	**12,637**	1,511
Loss before income tax	**(7,166)**	(3,132)	**(3,374)**	(6,311)
Income tax expense	**(7)**	(50)	**–**	–
Loss after tax and total comprehensive loss	**(7,173)**	(3,182)	**(3,374)**	(6,311)
Total comprehensive loss allocated to non-controlling interests	**(935)**	(415)	**(220)**	(721)

15. Investments in subsidiaries (continued)

Summarised cash flows

	HS Compression & Process Pte Ltd (in Compulsory Liquidation)		Hiap Seng Engineering (Thailand) Co., Ltd (in Voluntary Liquidation)	
	For the year ended 31 March		For the year ended 31 March	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Cash flows from operating activities				
Net cash (used in)/provided by operating activities	**(4,568)**	1,638	**1,991**	861
Net cash used in investing activities	**(25)**	(1)	**(245)**	(246)
Net cash provided by/(used in) financing activities	**4,102**	(2,081)	**(1,862)**	(1,051)

Disposal of a subsidiary

On 15th January 2020, the Group disposed of its 51%-owned subsidiary, Proen Scaffold Pte Ltd. The effects of the disposal on the cash flows of the Group were:

	Group
	At 15 January 2020
	$'000
Carrying amounts of assets and liabilities as at the date of disposal:	
Cash and cash equivalents (net of bank overdrafts)	**(12)**
Trade and other receivables	**425**
Deferred tax asset	**6**
Other current assets	**116**
Property, plant and equipment	**2,033**
Total assets	**2,568**
Trade and other payables	**(2,882)**
Lease liabilities	**(232)**
Total liabilities	**(3,114)**
Net liabilities derecognised	**(546)**
Less: Non-controlling interests	**242**
Net liabilities disposed of	**(304)**
Cash outflows arising from disposal:	
Net liabilities disposed of	**(304)**
Gain on disposal (Note 7)	**304**
Cash proceeds on disposal	**–**
Less: Cash and cash equivalents of subsidiary disposed of	**12**
Net cash inflow on disposal	**12**

16. Investment property

	Company	
	2020	2019
	$'000	$'000
Cost and accumulated depreciation		
Beginning and end of financial year	**1,797**	1,797
Net book value		
End of financial year	**–**	–

The Company engages external independent and qualified valuers to determine the fair value of the investment property at the end of every financial year based on the properties' highest and best use. The fair values of the property were determined by SRE Global Pte. Ltd.

The fair value of the investment property at the balance sheet date is $2,100,000 (2019: $3,200,000).

Fair value hierarchy

	Fair value measurements using significant unobservable inputs (Level 3)
	$
31 March 2020	
- An office building - Singapore	**2,100,000**
31 March 2019	
- An office building - Singapore	3,200,000

Level 3 fair value of the investment property was derived using the Direct Comparison Method. Under the Direct Comparison Method, sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, tenure, location, condition of buildings and prevailing market conditions. The most significant input to the valuation approach would be the adapted value per square feet.

17. Property, plant and equipment

	Freehold land	Freehold buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
2020							
Cost							
Beginning of financial year	1,686	11,095	12,622	37,019	5,587	7,830	75,839
Adoption of SFRS(I) 16 (Note 2.2)	–	–	4,266	–	–	276	4,542
Additions	–	22	313	451	238	61	1,085
Disposal of a subsidiary	–	–	–	(2,736)	(809)	(108)	(3,653)
Disposal	–	–	–	(2,474)	(231)	(72)	(2,777)
Written-off	–	–	–	(757)	–	–	(757)
Currency translation differences	26	197	65	274	12	32	606
End of financial year	1,712	11,314	17,266	31,777	4,797	8,019	74,885
Accumulated depreciation and impairment							
Beginning of financial year	–	4,412	10,088	23,245	4,486	7,161	49,392
Depreciation charge (Note 5)	–	644	1,800	2,534	454	477	5,909
Disposal of a subsidiary	–	–	–	(1,211)	(302)	(107)	(1,620)
Disposal	–	–	–	(2,445)	(231)	(68)	(2,744)
Impairment losses (Note 7)	–	–	151	11	11	22	195
Written-off	–	–	–	(9)	–	–	(9)
Currency translation differences	–	69	6	112	7	18	212
End of financial year	–	5,125	12,045	22,237	4,425	7,503	51,335
Net book value							
End of financial year	**1,712**	**6,189**	**5,221**	**9,540**	**372**	**516**	**23,550**

17. Property, plant and equipment (continued)

	Freehold land	Freehold buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019							
Cost							
Beginning of financial year	1,666	10,920	12,461	30,294	5,989	7,468	68,798
Additions	–	–	161	7,564	49	566	8,340
Disposals	–	–	–	(999)	(458)	(218)	(1,675)
Written-off	–	–	–	–	–	(5)	(5)
Currency translation differences	20	175	–	160	7	19	381
End of financial year	1,686	11,095	12,622	37,019	5,587	7,830	75,839
Accumulated depreciation							
Beginning of financial year	–	3,703	9,419	21,388	4,335	6,956	45,801
Depreciation charge (Note 5)	–	643	671	2,588	492	415	4,809
Disposals	–	–	–	(818)	(346)	(218)	(1,382)
Written-off	–	–	–	–	–	(3)	(3)
Currency translation differences	–	66	(2)	87	5	11	167
End of financial year	–	4,412	10,088	23,245	4,486	7,161	49,392
Net book value							
End of financial year	**1,686**	**6,683**	**2,534**	**13,774**	**1,101**	**669**	**26,447**

	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	$'000	$'000	$'000	$'000	$'000
Company					
2020					
Cost					
Beginning of financial year	7,523	24,047	3,810	5,524	40,904
Adoption of SFRS(I) 16 (Note 2.2)	4,266	–	–	192	4,458
Additions	313	30	77	22	442
Disposals	–	(2,435)	(141)	(67)	(2,643)
End of financial year	12,102	21,642	3,746	5,671	43,161
Accumulated depreciation					
Beginning of financial year	7,260	16,781	3,335	5,031	32,407
Depreciation charge	1,595	1,408	284	287	3,574
Disposals	–	(2,428)	(141)	(66)	(2,635)
End of financial year	8,855	15,761	3,478	5,252	33,346
Net book value					
End of financial year	**3,247**	**5,881**	**268**	**419**	**9,815**

17. Property, plant and equipment (continued)

	Leasehold buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	$'000	$'000	$'000	$'000	$'000
Company					
2019					
Cost					
Beginning of financial year	7,523	18,117	4,219	5,100	34,959
Additions	–	5,979	49	473	6,501
Disposals	–	(49)	(458)	(44)	(551)
Written-off	–	–	–	(5)	(5)
End of financial year	7,523	24,047	3,810	5,524	40,904
Accumulated depreciation					
Beginning of financial year	6,794	15,360	3,372	4,878	30,404
Depreciation charge	466	1,470	309	200	2,445
Disposals	–	(49)	(346)	(44)	(439)
Written-off	–	–	–	(3)	(3)
End of financial year	7,260	16,781	3,335	5,031	32,407
Net book value					
End of financial year	**263**	**7,266**	**475**	**493**	**8,497**

(a) Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 23(a).

(b) Certain freehold land and buildings and some of its machineries of the Group with net carrying amounts of $6,973,000 (2019: $7,441,000) at 31 March 2020, were pledged as collateral to secure credit facilities granted by financial institutions.

(c) Certain leasehold buildings of the Group with a net carrying amount of $171,000 (2019: Nil) were mortgaged to banks to secure banking facilities.

(d) The carrying amount of plant and equipment held under finance leases as at 31 March 2019 was $585,000 for the Group at the balance sheet date.

(e) The relevant information on the Group's properties is set out as follows:

Description	Location	Land Area (sq metres)	Tenure
Group and Company			
Three single-storey factory building and a two-storey office building	4 Benoi Place Singapore	7,501	Lease term of 30 years commencing 16 June 1971 extended to 15 June 2031
A three-storey office building and two adjoining single-storey workshops	19 Tuas Crescent, Singapore	13,344	Lease term of 10 years commencing 1 September 2002 extended to 31 December 2021

17. Property, plant and equipment (continued)

(e) The relevant information on the Group's properties is set out as follows: (continued)

Description	Location	Land Area (sq metres)	Tenure
Group and Company			
A two-storey office building and two adjoining single-storey workshops	21 Tuas Crescent, Singapore	10,925	Lease term of 30 years commencing 16 June 1981 extended to 31 December 2021
A four-storey office building and adjoining three-storey factory building	24 Tuas Crescent, Singapore	6,200	Lease term of 22 years commencing 1 June 1997 extended to 15 August 2038 (conditional)
A two-storey office building and five single-storey workshops	28 Tuas Crescent, Singapore	40,578	Lease term of 25 years commencing 16 February 1983 extended to 15 August 2038 (conditional)
A single-storey factory building with mezzanine office	30 Tuas Crescent, Singapore	8,959	Lease term of 22 years commencing 1 June 1997 extended to 15 August 2038 (conditional)
Group			
Factory buildings and workshops and two-storey office building	27/58 Moo 8, Bueng, Sriracha, Chonburi 20230, Thailand.	116,504	Freehold
An office unit	121 Xincun Street, Block 8/1, Unit 1105, Union Tower, Putuo, Shanghai, PRC	86	Lease term of 50 years commencing 1 November 2004
An office unit	Unit 2101, Regal Tower, Business Bay, Dubai, UAE	139	Freehold
A factory workshop	Land No. L308, Phase III, Al Hayl Free Zone, UAE	9,000	Lease term of 10 years commencing 7 February 2017

18. Financial assets, at FVOCI

	Group and Company	
	2020	2019
	$'000	$'000
Beginning of financial year	**1,307**	2,482
Net fair value losses (Note 26(b)(iii))	**(595)**	(1,175)
End of financial year	**712**	1,307

18. Financial assets, at FVOCI (continued)

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 30(e)).

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 bank balances and other assets less any liabilities.

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

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

19. Club memberships

	Group and Company	
	2020	2019
	$'000	$'000
Transferable club memberships, at cost		
Beginning of financial year	**374**	374
Disposal	**(96)**	–
End of financial year	**278**	374
Less: Allowance for impairment	**(25)**	(104)
Net book value	**253**	270

20(a). Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Trade payables to:				
- Non-related parties	**35,840**	33,147	**16,936**	22,487
- Subsidiaries	**-**	–	**12,956**	10,460
- Associated companies	**39**	63	**39**	63
	35,879	33,210	**29,931**	33,010
Non-trade payables:				
- Subsidiaries (Note 31(e))	**–**	–	**–**	263
Other payables	**2,131**	696	**251**	42
Corporate guarantee	**–**	–	**5,000**	–
Accruals for operating expenses	**3,197**	2,247	**2,484**	1,886
Total trade and other payables	**41,207**	36,153	**37,666**	35,201

20(b). Provision of onerous contracts

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**5,852**	–	**5,852**	–
Provision made	**266**	5,852	**177**	5,852
Provision utilised	**(5,852)**	–	**(5,852)**	–
End of financial year	**266**	5,852	**177**	5,852

Provision for onerous contracts is in respect of expected losses arising from non-cancellable specialised equipment construction contracts where the expected total contract costs exceeds the total contract sums, and is expected to be utilised as these contracts progress towards completion.

21. Borrowings

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Current				
Bank overdrafts (Note 11)	**2,276**	469	**1,684**	–
Bank borrowings	**15,100**	16,125	**10,100**	11,125
Bank financing (trust receipts)	**2,703**	3,194	**994**	–
Trade receivables invoice financing	**9,247**	10,000	**9,247**	10,000
Finance lease liabilities (Note 22)	**–**	162	**–**	–
	29,326	29,950	**22,025**	21,125
Non-current				
Finance lease liabilities (Note 22)	**–**	284	**–**	–
	–	284	**–**	–
Total borrowings	**29,326**	30,234	**22,025**	21,125

Bank borrowings, including facilities utilised for trade receivables invoice financing of $24,347,000 (2019: $26,125,000) are contractually repriced within 1-6 months (2019: 1 month) from balance sheet date and are subject to variable interest rates ranging from 3.07% to 4.18% (2019: 2.94% to 3.60%) per annum.

Security granted

(i) Bank overdrafts and bank financing (trust receipts) of the Group amounting to $4,979,000 (2019: $3,663,000) are secured by a mortgage of certain land and buildings of the Group and corporate guarantee by the Company, legal charge over the Company's bank operating account and all-monies over the accounts receivables' contract proceeds in respect of the project financed by the bank.

(ii) Bank borrowings, including facilities utilised for trade receivables invoice financing of the Group amounting to $24,347,000 (2019: $26,125,000) are secured by mortgage of certain land and leasehold buildings of the Group and corporate guarantee by the Company, legal charge over the Company's bank operating account and all monies-over the accounts receivables contract proceeds in respect of the project financed by the bank.

(iii) Finance lease liabilities of the Group are effectively secured over the leased plant and equipment (Note 22), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the lease liabilities.

21. Borrowings (continued)

The Group leases certain plant and equipment from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

22. Finance lease liabilities

Finance lease liabilities were reclassified to lease liabilities on 1 April 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.2.

	Group 2019 $'000
Minimum lease payments due	
- Not later than one year	186
- Between one and five years	334
Less: Future finance charges	(74)
Present value of finance lease liabilities	446

The present values of finance lease liabilities are analysed as follows:

	Group 2019 $'000
Not later than one year (Note 21)	162
Between one and five years (Note 21)	284
Total	446

23. Leases – The Group as a leasee

Nature of the Group's leasing activities

The Group leases motor vehicles, certain property, plant and equipment and leases land, factories and offices from non-related parties.

(a) Carrying amounts

	Group	
	31 March 2020 $'000	1 April 2019 $'000
Leasehold buildings	**3,077**	4,579
Motor vehicles	**78**	577
Equipment	**168**	284
	3,323	5,440

23. Leases – The Group as a leasee (continued)

(b) Depreciation charge during the year

	Group 2020 $'000
Leasehold buildings	**1,503**
Motor vehicles	**108**
Equipment	**116**
	1,727

(c) Interest expense

	Group 2020 $'000
Interest expense on lease liabilities (Note 8)	**172**

(d) Lease expenses not capitalised in lease liabilities

	Group 2020 $'000
Lease expenses – short-term leases and low value leases	**11,559**

(e) Total cash outflow for all the leases in 2020 was $13,313,000.

(f) There was no addition of ROU assets during the financial year ended 31 March 2020.

24. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Movement in the deferred income tax account is as follows:

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**876**	870	**478**	478
Tax (credited)/charged to profit or loss (Note 9)	**(134)**	6	**(156)**	–
Disposal of a subsidiary (Note 15)	**6**	–	**–**	–
End of financial year	**748**	876	**322**	478

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

24. Deferred income taxes (continued)

As at 31 March 2020, the Group has unrecognised tax losses of approximately $70,408,000 (2019: $48,348,000) and unrecognised capital allowances of $4,181,000 (2019: $4,159,000). These unrecognised tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to the relevant taxation regulations.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation $'000
2020	
Beginning of financial year	**933**
Credited to profit or loss	**(185)**
End of financial year	**748**
2019	
Beginning of financial year	975
Credited to profit or loss	(42)
End of financial year	933

Deferred income tax assets

	Fair value adjustments $'000	Provisions $'000	Total $'000
2020			
Beginning of financial year	**(6)**	**(51)**	**(57)**
Charged to profit or loss	**–**	**51**	**51**
Disposal of a subsidiary (Note 15)	**6**	**–**	**6**
End of financial year	–	–	–
2019			
Beginning of financial year	(6)	(99)	(105)
Charged to profit or loss	–	48	48
End of financial year	(6)	(51)	(57)

24. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation
	$'000
2020	
Beginning of financial year	**478**
Credited to profit or loss	**(156)**
End of financial year	**322**
2019	
Beginning and end of financial year	478

25. Share capital

	Issued share capital			
	Number of shares		Amount	
	2020	2019	**2020**	2019
	'000	'000	**$'000**	$'000
Group and Company				
Beginning and end of financial year	**303,750**	303,750	**36,178**	36,178

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

26. Other reserves (non-distributable)

		Group		Company	
		2020	2019	**2020**	2019
		$'000	$'000	**$'000**	$'000
(a)	Composition:				
	Currency translation reserve (Note (b)(i))	**1,434**	1,524	**–**	–
	Capital reserve (Note (b)(ii))	**(158)**	(158)	**–**	–
	Fair value reserve (Note (b)(iii))	**(1,770)**	(1,175)	**(1,770)**	(1,175)
		(494)	191	**(1,770)**	(1,175)

26. Other reserves (non-distributable) (continued)

		Group		Company	
		2020	2019	**2020**	2019
		$'000	$'000	**$'000**	$'000
(b)	Movements:				
(i)	***Currency translation reserve***				
	Beginning of financial year	**1,524**	2,391	**–**	–
	Net currency translation differences of financial statements of foreign subsidiaries and associated companies	**(61)**	(885)	**–**	–
	Less: Non-controlling interest	**(29)**	18	**–**	–
		(90)	(867)	**–**	–
	End of financial year	**1,434**	1,524	**–**	–
(ii)	***Capital reserve***				
	Beginning and end of financial year	**(158)**	(158)	**–**	–
(iii)	***Fair value reserve***				
	Beginning of financial year	**(1,175)**	–	**(1,175)**	–
	Fair value losses on financial assets at FVOCI (Note 18)	**(595)**	(1,175)	**(595)**	(1,175)
	End of financial year	**(1,770)**	(1,175)	**(1,770)**	(1,175)

27. (Accumulated losses)/retained profits

Movement in (accumulated losses)/retained profits for the Company is as follows:

	Company	
	2020	2019
	$'000	$'000
Beginning of financial year	**(30,809)**	12,014
Net loss	**(24,076)**	(42,823)
End of financial year	**(54,885)**	(30,809)

28. Corporate guarantees

The Company has issued corporate guarantees to banks for credit facilities granted to its subsidiaries. The principal risk to which the Company is exposed is credit risk of the subsidiaries in connection with the guarantees it has issued.

Corporate guarantees issued by the Company are as follows:

	Company	
	2020	2019
	$'000	$'000
THB 390,600,000 (31 March 2019: THB 361,000,000)	**16,974**	15,395
SGD 40,050,000 (31 March 2019: SGD 40,050,000)	**40,050**	40,050
	57,024	55,445

29. Commitments

Operating lease commitments – where the Group and Company is a lessee

The Group and Company lease various pieces of land from non-related parties under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

As at 31 March 2019, the future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, were as follows:

	Group	Company
	2019	**2019**
	$'000	**$'000**
Not later than one year	1,740	1,568
Between one and five years	6,230	5,494
Later than five years	26,448	25,703
	34,418	32,765

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 April 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 1 April 2019, except for short-term and low-value leases.

30. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and has established detailed policies such as authority levels and oversight responsibilities.

30. Financial risk management (continued)

(a) Market risk

(i) Currency risk

The Group operates mainly in Singapore, Malaysia, Thailand and United Arab Emirates ("UAE"). Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Thai Baht ("THB"), Malaysia Ringgit ("MYR") and UAE Dirham ("AED").

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Malaysia, Thailand and UAE are managed primarily through borrowings denominated in the relevant foreign currencies.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	THB $'000	MYR $'000	AED $'000	Others $'000	Total $'000
At 31 March 2020							
Financial assets							
Cash and cash equivalents	**199**	**470**	**47**	**27**	**1,017**	**125**	**1,885**
Trade and other receivables	**6,060**	**10,622**	**1,265**	**4**	**2,931**	**110**	**20,992**
Deposits	**268**	**88**	**10**	**3**	**1,287**	**–**	**1,656**
Financial assets, at FVOCI	**712**	**–**	**–**	**–**	**–**	**–**	**712**
	7,239	**11,180**	**1,322**	**34**	**5,235**	**235**	**25,245**
Financial liabilities							
Borrowings	**(26,031)**	**(994)**	**(2,301)**	**–**	**–**	**–**	**(29,326)**
Trade and other payables	**(28,134)**	**(4,516)**	**(2,275)**	**(36)**	**(6,222)**	**(24)**	**(41,207)**
Lease liabilities	**(3,178)**	**–**	**–**	**–**	**–**	**–**	**(3,178)**
	(57,343)	**(5,510)**	**(4,576)**	**(36)**	**(6,222)**	**(24)**	**(73,711)**
Net financial (liabilities)/ assets	**(50,104)**	**5,670**	**(3,254)**	**(2)**	**(987)**	**211**	**(48,466)**
Add/(less): Net financial liabilities/(assets) denominated in the respective entities functional currencies	**50,104**	**–**	**4,515**	**2**	**988**	**(34)**	**55,575**
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	**–**	**5,670**	**1,261**	**–**	**1**	**177**	**7,109**

30. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD $'000	USD $'000	THB $'000	MYR $'000	AED $'000	Others $'000	Total $'000
At 31 March 2019							
Financial assets							
Cash and cash equivalents	3,119	4,110	26	11	544	288	8,098
Trade and other receivables	17,545	2,707	1,148	902	3,128	5	25,435
Deposits	479	–	10	5	2,504	–	2,998
Financial assets, at FVOCI	1,307	–	–	–	–	–	1,307
	22,450	6,817	1,184	918	6,176	293	37,838
Financial liabilities							
Borrowings	(26,444)	–	(3,790)	–	–	–	(30,234)
Trade and other payables	(31,181)	(611)	(690)	(153)	(3,494)	(24)	(36,153)
	(57,625)	(611)	(4,480)	(153)	(3,494)	(24)	(66,387)
Net financial (liabilities)/ assets	(35,175)	6,206	(3,296)	765	2,682	269	(28,549)
Add/(less): Net financial liabilities/(assets) denominated in the respective entities functional currencies	35,175	–	3,568	(797)	(2,682)	(14)	35,250
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	–	6,206	272	(32)	–	255	6,701

30. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	THB $'000	MYR $'000	Others $'000	Total $'000
At 31 March 2020						
Financial assets						
Cash and cash equivalents	**57**	**212**	**16**	**–**	**75**	**360**
Trade and other receivables	**18,380**	**9,516**	**1,298**	**–**	**106**	**29,300**
Deposits	**268**	**–**	**–**	**–**	**–**	**268**
Financial assets, at FVOCI	**712**	**–**	**–**	**–**	**–**	**712**
	19,417	**9,728**	**1,314**	**–**	**181**	**30,640**
Financial liabilities						
Borrowings	**(21,031)**	**(994)**	**–**	**–**	**–**	**(22,025)**
Trade and other payables	**(35,850)**	**(1,816)**	**–**	**–**	**–**	**(37,666)**
Lease liabilities	**(3,046)**	**–**	**–**	**–**	**–**	**(3,046)**
	(59,927)	**(2,810)**	**–**	**–**	**–**	**(62,737)**
Net financial (liabilities)/ assets	**(40,510)**	**6,918**	**1,314**	**–**	**181**	**(32,097)**
Add: Net financial liabilities denominated in the functional currency	**40,510**	**–**	**–**	**–**	**–**	**40,510**
Currency exposure	**–**	**6,918**	**1,314**	**–**	**181**	**8,413**
At 31 March 2019						
Financial assets						
Cash and cash equivalents	2,984	3,439	15	–	74	6,512
Trade and other receivables	28,373	(502)	1,207	(4)	11	29,085
Deposits	288	–	–	–	–	288
Financial assets, at FVOCI	1,307	–	–	–	–	1,307
	32,952	2,937	1,222	(4)	85	37,192
Financial liabilities						
Borrowings	(21,125)	–	–	–	–	(21,125)
Trade and other payables	(35,183)	(17)	–	(1)	–	(35,201)
	(56,308)	(17)	–	(1)	–	(56,326)
Net financial (liabilities)/ assets	(23,356)	2,920	1,222	(5)	85	(19,134)
Add: Net financial liabilities denominated in the functional currency	23,356	–	–	–	–	23,356
Currency exposure	–	2,920	1,222	(5)	85	4,222

30. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If USD changes against SGD by 5% (2019: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial asset positions will be as follows:

	← Increase/(Decrease) →	
	2020	2019
	Results after tax	Results after tax
	$'000	$'000
Group		
USD against SGD		
- strengthened	**284**	258
- weakened	**(284)**	(258)
Company		
USD against SGD		
- strengthened	**346**	146
- weakened	**(346)**	(146)

The Group and the Company are not exposed to significant foreign currency risks except for USD.

(ii) Price risk

The Group and the Company are exposed to equity security price risk arising from the unquoted investment held which are classified as financial asset, at FVOCI.

If prices for the unquoted equity security had changed by 10% (2019: 10%) with all other variables including tax rate being held constant, the effects on other comprehensive income would have been $71,000 (2019: $131,000) higher/lower.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group periodically reviews its liabilities and monitors interest rate fluctuations to ensure that the exposure to interest rate risk is within acceptable levels.

The Group's and the Company's exposure to cash flow interest rate risks arises from variable-rate borrowings. The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates had been higher/lower by 0.50% (2019: 0.50%) with all other variables including tax rate being held constant, the results after tax would have been lower/higher by $101,000 (2019: $109,000) as a result of higher/lower interest expense on these borrowings.

30. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company subject to credit risk are bank balances, deposits, contract assets and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Chief Financial Officer based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Chief Financial Officer.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	31 March 2020	31 March 2019
	$'000	$'000
Corporate guarantees provided to banks on subsidiaries' borrowings	**7,301**	8,663

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	$'000	$'000	**$'000**	$'000
By geographical areas				
Singapore	**14,964**	19,790	**17,305**	23,207
Malaysia	**–**	896	**–**	–
Thailand	**1,182**	1,281	**–**	–
United Arab Emirates	**3,611**	2,912	**–**	–
	19,757	24,879	**17,305**	23,207

The trade receivables of the Group and of the Company comprise 3 debtors (2019: 3 debtors;) and 3 debtors (2019: 3 debtors) respectively that individually represented 16 - 44% (2019: 15-19%) of trade receivables.

30. Financial risk management (continued)

(b) Credit risk (continued)

The credit risk for contract assets based on the information provided to key management is as follows:

	Group		Company	
	31 March 2020 $'000	31 March 2019 $'000	**31 March 2020 $'000**	31 March 2019 $'000
By geographical areas				
Singapore	**6,745**	19,426	**1,723**	17,813
Malaysia	**–**	248	**–**	–
Thailand	**1,030**	1,602	**–**	–
United Arab Emirates	**2,229**	1,009	**–**	–
	10,004	22,285	**1,723**	17,813

The movements in credit loss allowance in relation to trade receivables and contract assets are as follows:

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Trade receivables				
Balance at 1 April	**994**	859	**74**	74
Loss allowance recognised in profit or loss during the year	**976**	115	**–**	–
Amount utilised during the year	**(358)**	–	**(74)**	–
Disposal of a subsidiary	**(95)**	–	**–**	–
Currency translation difference	**9**	20	**–**	–
Balance at 31 March (Note 12)	**1,526**	994	**–**	74
Contract assets				
Balance at 1 April	**–**	–	**–**	–
Loss allowance recognised in profit or loss during the year	**248**	–	**–**	–
Balance at 31 March (Note 4(b))	**248**	–	**–**	–

Management has identified these debtors mainly from the plant construction and maintenance segment in Malaysia, as well as the compression and process equipment fabrication segment to be credit impaired as they experienced significant financial difficulties. Hence, the recoverability of the outstanding balances for these debtors has been assessed separately from the total expected credit loss.

Cash at bank and other receivables are subject to immaterial credit loss.

30. Financial risk management (continued)

(b) Credit risk (continued)

(i) Credit rating

Financial assets which are subject to expected credit losses under the 3-stage general approach are mainly:

- Cash and cash equivalents;
- Other receivables;
- Loans to subsidiaries; and
- Non-trade receivables due from subsidiaries

For these financial assets, management has considered, among other factors (including forward-looking information), the Group's ability to fulfil its contractual cash flows and financial support (if any) to assess the expected credit loss. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical payment experience.

These financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The Group considers the credit risk characteristics based on the segment it operates in and the industry profile of its customers. Evidence that a financial asset is credit-impaired includes observable data about events, including but not limited to significant financial difficulty of the borrower or a breach of contract, such as a default or past due event.

(ii) Trade receivables and contract assets

In measuring the expected credit losses, trade receivables and contract assets are assessed based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts.

The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables where necessary.

30. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Trade receivables and contract assets (continued)

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 March 2020 and 2019 are set out as follows:

	Current $'000	Past due less than 30 days $'000	Past due 31 to 120 days $'000	Past due over 120 days $'000	Total $'000
31 March 2020:					
Trade receivables	13,530	787	1,797	5,169	21,283
Less:					
Loss allowance – credit impaired	–	–	(49)	(1,477)	(1,526)
Loss allowance – expected credit loss	–	–	–	–	–
	13,530	787	1,748	3,692*	19,757
Contract assets	10,252	–	–	–	10,252
Less: Loss allowance	(248)	–	–	–	(248)
	10,004	–	–	–	10,004
31 March 2019:					
Trade receivables	17,672	2,756	1,127	4,318	25,873
Less:					
Loss allowance – credit impaired	–	–	–	(994)	(994)
Loss allowance – expected credit loss	–	–	–	–	–
	17,672	2,756	1,127	3,324	24,879
Contract assets	22,285	–	–	–	22,285
Less: Loss allowance	–	–	–	–	–
	22,285	–	–	–	22,285

* These balances past due over 120 days were fully recovered in the period subsequent to the year end.

The Group considers a financial asset as in default if the counterparty fails to make contractual payments for a prolonged period of time when they fall due, and the Group may also consider internal and external information, such as significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

(iii) Financial guarantee contracts

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. As at 31 March 2019, the Company has assessed that its subsidiaries have the financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

30. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Financial guarantee contracts (continued)

As at 31 March 2020, the Company has assessed that one of its subsidiaries no longer has the financial capacity to repay their bank borrowings. Thus financial guarantee contracts (Note 20) are remeasured in accordance with Note 2.11.

(c) Liquidity risk

The Group and Company manages liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and Company for managing liquidity risk included cash and bank balances as disclosed in Note 11.

Management monitors quarterly forecasts of the liquidity reserve (comprising undrawn borrowing facilities) and cash and cash equivalents (Note 11) of the Group and the Company on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these obligations, monitoring liquidity ratios and maintaining debt financing plans.

Subsequent to 31 March 2020, the Group experienced financial difficulties as liquidity was significantly curtailed. Eventually, the Company and HSCP were placed under judicial management on 15 September 2020 as set out in Note 2.1 to the financial statements.

The table below analyses non-derivative financial liabilities of the Group and Company into relevant maturity groupings based on remaining period from the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount as the impact of discounting is not significant.

	Group			Company		
	Less than 1 year	**Between 1 and 5 years**	**Over 5 years**	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 March 2020						
Trade and other payables	**41,207**	**–**	**–**	**32,666**	**–**	**–**
Borrowings	**29,326**	**–**	**–**	**22,025**	**–**	**–**
Lease liabilities	**1,607**	**1,209**	**662**	**1,537**	**1,138**	**662**
Financial guarantee contracts	**–**	**–**	**–**	**7,301**	**–**	**–**
	72,140	**1,209**	**662**	**63,529**	**1,138**	**662**
At 31 March 2019						
Trade and other payables	36,153	–	–	35,201	–	–
Borrowings	29,974	334	–	21,125	–	–
Financial guarantee contracts	–	–	–	8,663	–	–
	66,127	334	–	64,989	–	–

30. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a desired capital structure so as to maximise shareholder value.

In order to achieve these objectives, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group 31 March		Company 31 March	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Net debt	**27,441**	22,136	**21,665**	14,613
Total equity	**(19,334)**	6,708	**(20,477)**	4,194
Total capital	**8,107**	28,844	**1,188**	18,807
Gearing ratio	**n.m.**	77%	**n.m.**	78%

n.m. – not meaningful

The Company was in breach of externally imposed capital requirements for a credit line of $1,500,000 (2019: $1,500,000), of which the Company has currently drawn down an amount of $100,000 (2019: $1,125,000) as at 31 March 2020. As a result, the outstanding balance is presented as a current liability as at 31 March 2020 and 2019.

In addition, the Company was in breach of externally imposed capital requirements for credit facilities from another bank, as the Company did not complete the required equity funding exercise by 30 November 2019.

(e) Fair value measurements

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).

Fair value measurement disclosure of assets that are recognised or measured at fair value, can be found in Note 18.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

30. Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 18 to the financial statements, except for the following:

	31 March 2020 $'000	31 March 2019 $'000
Group		
Financial assets, at amortised cost	**24,533**	36,531
Financial liabilities, at amortised cost	**73,711**	66,387
Company		
Financial assets, at amortised cost	**29,928**	35,829
Financial liabilities, at amortised cost	**62,737**	56,326

31. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	Group	
	2020 $'000	2019 $'000
Purchase of computer equipment from an associated company	**4**	27
Computer maintenance fees paid to an associated company	**166**	180

Outstanding balances as at 31 March 2020 and 2019 are set out in Notes 12 and 20(a).

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2020 $'000	2019 $'000
Salaries and other short-term employee benefits	**2,513**	2,749
Employer's contribution to defined contribution plans, including Central Provident Fund	**59**	61
	2,572	2,810

Included in the above is total compensation to directors of the Company amounting to $1,263,000 (2019: $1,371,000).

31. Related party transactions (continued)

(c) Loans to subsidiaries

Loans to subsidiaries (net of allowance of impairment) amounting to $4,887,000 (2019: $4,226,000) as set out in Note 12 are unsecured, interest-free and have no fixed repayment terms.

(d) Non-trade receivables from subsidiaries

The non-trade receivables from subsidiaries (net of allowance for impairment) amounting to $6,336,000 (2019: $1,631,000) as set out in Note 12 are unsecured, interest-free and repayable on demand.

(e) Non-trade payables to subsidiaries

The non-trade payables to subsidiaries amounting to $Nil (2019: $263,000) as set out in Note 20(a), are unsecured, interest-free and repayable on demand.

32. Segment information

Management has determined the operating segments based on the reports that are used to make strategic decisions. Management comprises the Chairman, Chief Executive Officer and Executive Director, Finance 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 financial year ended 31 March 2020 and 2019 is as follows:

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	$'000	$'000
Group			
2020			
Revenue			
Revenue from external parties	**127,098**	**22,521**	**149,619**
Adjusted EBITDA	**(11,729)**	**(6,967)**	**(18,696)**
Depreciation	**(5,867)**	**(42)**	**(5,909)**
Share of loss of associated companies	**31**	**–**	**31**
Segment assets	**51,259**	**8,861**	**60,120**
Segment assets include:			
Investment in associated companies	**255**	**–**	**255**
Additions to:			
- Property, plant and equipment	**747**	**25**	**772**
Segment liabilities	**(24,920)**	**(22,220)**	**(47,140)**

32. Segment information (continued)

	Plant construction and maintenance	Compression and process equipment fabrication	Total
	$'000	**$'000**	**$'000**
Group			
2019			
Revenue			
Revenue from external parties	134,440	6,492	140,932
Adjusted EBITDA	(29,771)	(3,280)	(33,051)
Depreciation	(4,781)	(28)	(4,809)
Goodwill impairment	503	–	503
Share of loss of associated companies	14	–	14
Segment assets	83,539	5,304	88,843
Segment assets include:			
Investment in associated companies	297	–	297
Additions to:			
- Property, plant and equipment	8,338	2	8,340
Segment liabilities	(36,108)	(16,487)	(52,595)

Sales between segments are carried out at market terms. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Management assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation, amortisation and costs that are not expected to recur in every period ("Adjusted EBITDA"). Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Chief Financial Officer, who manages the cash position of the Group.

(a) Reconciliations

(i) Segment profits

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

	Group	
	2020	2019
	$'000	$'000
Adjusted EBITDA for reportable segments	**(18,696)**	(33,051)
Depreciation	**(5,909)**	(4,809)
Impairment loss on goodwill	**–**	(503)
Finance expense	**(1,121)**	(933)
Interest income	**1**	2
Loss before tax	**(25,725)**	(39,294)

32. Segment information (continued)

(a) Reconciliations (continued)

(ii) Segment assets

The amounts provided to the management team with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment. All assets are allocated to reportable segments other than deferred income tax assets, financial assets, at FVOCI and club memberships.

Segments' assets are reconciled to total assets as follows:

	Group	
	2020	2019
	$'000	$'000
Segment assets for reportable segments	**60,120**	88,843
Deferred income tax assets	**–**	57
Financial assets, at FVOCI	**712**	1,307
Club memberships	**253**	270
Total assets	**61,085**	90,477

(iii) Segment liabilities

The amounts provided to the management team with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to reportable segments other than current and deferred income tax liabilities, borrowings and lease liabilities.

Segments' liabilities are reconciled to total liabilities as follows:

	Group	
	2020	2019
	$'000	$'000
Segment liabilities	**47,140**	52,595
Borrowings	**29,326**	30,234
Lease liabilities	**3,178**	–
Current income tax liabilities	**27**	7
Deferred income tax liabilities	**748**	933
Total liabilities	**80,419**	83,769

(b) Revenue from major products and services

Revenue from external customers are derived mainly from the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry and fabrication of compression and process equipment. Breakdown of the revenue are disclosed in the segment information above.

32. Segment information (continued)

(c) Geographical information

The Group's two main business segments operate in six main geographical areas:

- Singapore - the Company is headquartered in Singapore. The operations in this area are principally the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry, fabrication of compression and process equipment, and investment holding;
- Malaysia - the operations in this area are principally the provision of mechanical engineering services, plant construction and plant maintenance for the petroleum and petrochemical industry;
- Thailand - the operations in this area are principally the provision of mechanical engineering services, plant fabrication and installation for the petroleum and petrochemical industry and fabrication of compression and process equipment;
- Vietnam - the operations in this area are principally the provision of plant maintenance;
- United Arab Emirates - the operations in this area are principally the provision of mechanical engineering services, plant construction and plant maintenance for the petroleum and petrochemical industry; and
- Other countries - the operations in these areas are principally the provision of mechanical engineering services, plant fabrication and installation and plant maintenance for the petroleum and petrochemical industry and fabrication of compression and process equipment.

	Group	
	2020	2019
	$'000	$'000
Revenue		
Singapore	**74,965**	112,229
Malaysia	**9,983**	889
Thailand	**13,817**	3,357
Vietnam	**187**	50
United Arab Emirates	**33,457**	15,340
Other countries	**17,210**	9,067
	149,619	140,932
Non-current assets		
Singapore	**10,234**	12,686
Malaysia	**–**	4
Thailand	**9,716**	10,020
United Arab Emirates	**3,436**	3,582
Other countries	**419**	452
	23,805	26,744

32. Segment information (continued)

Revenues of $73,120,000 (2019: $87,376,000) are derived from 4 (2019: 4) external customers which individually contributed 5% or more of the Group's revenues. These revenues are attributable to the Singapore plant construction and maintenance segment.

	Group	
	2020	2019
	$'000	$'000
Customer A	**13,647**	19,519
Customer B	**21,073**	22,563
Customer C	**25,959**	27,331
Customer D	**12,441**	17,963
	73,120	87,376

33. New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2020. The Group does not expect that adoptions of these new accounting standards, amendments or interpretations will have a material impact on the Group's financial statements.

34. Events occurring after balance sheet date

The COVID-19 pandemic has affected almost all countries in the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. These have negatively impacted business production and volume, resulting in a negative impact on the Group's financial performance.

The financial effects of COVID-19 on the Group's financial condition have been taken into consideration in the preparation of these financial statements.

On 12 June 2020, the Company's subsidiary, Asia Industries Processes Pte Ltd ("API") received three Writ of Summons and Statement of Claim filed by its creditor claiming for a total sum of $1,290,488. On 5 September 2020, API was placed under voluntary liquidation.

On 15 September 2020, the Company and its subsidiary, HS Compression & Process Pte Ltd ("HSCP"), were placed under judicial management pursuant to Section 227B of the Companies Act 1967 of Singapore, upon its application to the High Court of Singapore on 28 July 2020.

On 27 October 2020, the Company's subsidiary, Hiap Seng Engineering (Thailand) Co Ltd ("HSET"), entered into a Sale and Purchase Agreement for the disposal of its office building and factory at 27/58 Moo 8, Bueng, Sriracha, Chonburi 20230, Thailand and the various furniture, office equipment and machinery located thereat for a total consideration of THB 300 million. The net gain arising from the disposal recognised in the financial year ended 31 March 2021 amounted to approximately $4.2 million. Thereafter, HSET was placed under voluntary liquidation.

On 2 June 2021, the Company entered into a conditional share purchase agreement to dispose its entire 80% interest in Hiap Seng Engineering Limited FZC ("HS FZC") to the existing shareholder at a consideration of AED 2.7 million. The fair value of the Group's share of the identifiable net assets of HS FZC at the date of divestment has been provisionally determined at SGD 1.2 million. The net gain arising from the disposal recognised in the financial year ended 31 March 2022 amounted to approximately $23,000.

34. Events occurring after balance sheet date (continued)

On 6 September 2021, the Company secured creditor, United Overseas Bank ("UOB"), has with the consent of the joint and several Judicial Managers, made an application to the Court for leave to enforce its first all-monies legal mortgage over the Company's JTC industrial property at 4 Benoi Place, Singapore 629925 (the "Property"), by exercising its power of entry into possession of the Property and thereafter exercising its power of sale pursuant to the Memorandum of Mortgage. An amount of $4.5 million was eventually recovered and utilised towards partial reduction of the liabilities owing to UOB. The net gain arising from the disposal recognised in the financial year ended 31 March 2022 amounted to approximately $4.5 million.

On 9 December 2021, the Company's wholly-owned subsidiary, Orion Tuas Shipyard Pte Ltd ("OTS") was placed under voluntary liquidation.

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

On 11 March 2022, the Judicial Managers ("JMs") presented their statement of proposals at a meeting of the Company's creditors and this was approved by the majority of creditors present and voting at the said meeting.

On 18 August 2022, the JMs convened the Scheme Meeting following the approval of the JMs' statement of proposals, and presented 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 Court granted an order to sanction the Scheme and granted the judicial management order for the Company be extended until 8 March 2023.

35. Authorisation of financial statements

These financial statements have been approved by the Judicial Managers, and in consultation with the directors, authorised for issue via a resolution of the Board of Directors of Hiap Seng Engineering Ltd (under Judicial Management) on 15 November 2022. The Judicial Managers also authorised Mr Tan Leau Kuee @ Tan Chow Kuee and Mr Tan Ah Lam to sign on these financial statements.

36. Listing of companies in the Group

Name of companies	Principal activities	Country of business/ incorporation	Equity holding			
			Company		Subsidiary	
			2020	2019	**2020**	2019
			%	%	**%**	%
Subsidiaries						
Orion Tuas Shipyard Pte Ltd (In Voluntary Liquidation)	Provision of facilities for plant fabrication	Singapore	**100**	100	**–**	–
Asia Process Industries Pte Ltd (In Voluntary Liquidation)	Plant maintenance for the petroleum and petrochemical industry	Singapore	**100**	100	**–**	–
HS Compression & Process Pte Ltd (In Compulsory Liquidation)	Provision of engineering services, compression and process equipment fabrication for oil and gas industry	Singapore	**87**	87	**–**	–
Hiap Seng-Sanko TPM Pte Ltd	Provision of engineering services and plant maintenance	Singapore	**100**	100	**–**	–
HS Info-Tech Pte Ltd	Investment holding	Singapore	**100**	100	**–**	–
Hiap Seng Engineering (Thailand) Co., Ltd (In Voluntary Liquidation)	Mechanical engineering services, plant fabrication and installation and plant maintenance for petroleum and petrochemical industries	Thailand	**93**	89	**–**	–
HS Engineering (Middle East) Pte Ltd	Provision of engineering services and plant maintenance	United Arab Emirates/ Singapore	**100**	100	**–**	–
Hiap Seng Engineering (M) Sdn Bhd	Provision of engineering services, plant construction and maintenance services	Malaysia	**100**	100	**–**	–
Hiap Seng Engineering Shanghai Co. Ltd	Provision of engineering services and plant maintenance	People's Republic of China	**100**	100	–	–
Hiap Seng Engineering Limited FZC	Provision of engineering services and plant maintenance	United Arab Emirates	**80**	80	–	–
ProEn Scaffold Pte Ltd	Provision of scaffolding service and plant engineering services	Singapore	**–**	–	–	51
Hiap Seng Saudi Engineering Ltd	Provision of engineering services and plant maintenance	Saudi Arabia	**100**	100	–	–

36. Listing of companies in the Group (continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding			
			Company		Subsidiary	
			2020	2019	**2020**	2019
			%	%	**%**	%
Associated companies						
Web-Economy Technology Pte Ltd	Internet e-business solutions including internet professional services	Singapore	**–**	–	30	30
Hiap Seng Manco Co.	General construction and trade of electrical tools and mechanical equipment	Qatar	**–**	–	49	49



Hiap Seng Engineering Ltd
Co. Reg. No.: 197100300Z

Registered Office
28 Tuas Crescent, Singapore 638719
Tel: 6897 8082
Fax: 6897 8081
E-mail: info@hiapseng.com
Website: www.hiapseng.com

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Tel: (65) 63278398