



Hiap Seng Engineering Ltd
(Judicial Managers Appointed)

A large, complex industrial facility, likely a refinery or chemical plant, is shown in the background. The image features numerous thick, metallic pipes in shades of silver, grey, and blue, along with various industrial structures like towers, walkways, and scaffolding against a clear blue sky.

STRENGTHENING OUR CORE

ANNUAL REPORT
2021

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 products and services.

CONSTRUCTION

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



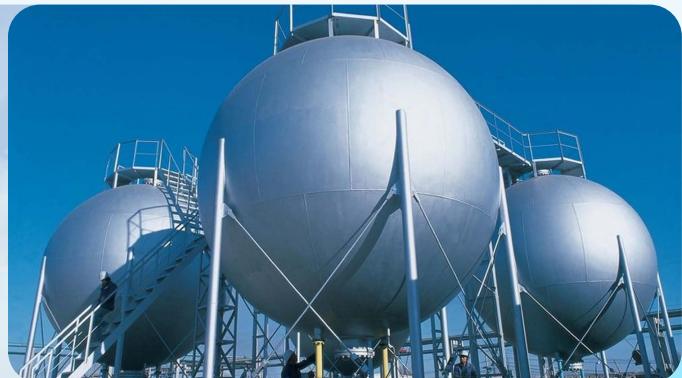
PLANT MAINTENANCE

Oil-and-Gas, Chemical & Utility Plant Maintenance



EPC

Process Equipment, Gas Compressors, FPSO Topsides & Tank farms



CHAIRMAN'S STATEMENT

FINANCIAL AND OPERATING PERFORMANCE REVIEW

The Group continue to face difficulties in its liquidity and hence did not take on any major Engineering, Procurement and Construction ("EPC") services contracts in FY2021 which led to a decrease in the Group's revenue to S\$29.4 million in FY2021 from S\$136.2 million in the previous corresponding period ("FY2020"). With an extremely tight cash flow, the Group made the decision to novate or terminate contracts which were deemed not profitable, undertook cost-cutting measures and manage its operating costs prudently. As a result of these actions undertaken, the Group recorded a lower gross loss of S\$2.1 million in FY2021, from a gross loss of S\$8.2 million in FY2020. Consequently, the Group's net loss attributable to shareholders decreased to S\$5.0 million from S\$23.8 million in FY2021.

SEGMENTAL CONTRIBUTIONS

Revenue for the plant construction and maintenance segment decreased from S\$113.7 million in FY2020 to S\$29.5 million in FY2021, largely attributable to the lower number of projects. Despite the lower revenue, the Group generated earnings before income tax, depreciation and amortisation ("EBITDA") S\$3.1 million in FY2021 for this segment, improving from a negative EBITDA of S\$10.9 million in FY2020.

Revenue for the compression and process equipment fabrication segment dropped significantly from \$22.5 million in FY2020 as the Group did not take on any new EPC projects due to the cashflow difficulties. In order to prevent further losses from being incurred, the Group decided to novate or terminate contracts that were not profitable. This resulted in a lower negative EBITDA for this segment of S\$3.3 million in FY2021 from S\$7.0 million in FY2020.



Geographically, the Group's revenue in UAE, Thailand, Malaysia and Others segment recorded lower revenue of S\$6.9 million compared to S\$61.2 million in the prior year, mainly due to the Company not undertaking any new EPC contracts in FY2021 and loss-making contracts were being novated or terminated. On the same note, the Group's revenue in Singapore declined to S\$22.5 million in FY2021 compared to S\$75.0 million in FY2020.

FINANCIAL POSITION REVIEW

The Group's shareholders' funds decreased further by S\$4.5 million, from a deficit of S\$17.2 million as at 31 March 2020, to S\$21.7 million as at 31 March 2021.

Hiap Seng's current assets decreased to S\$32.4 million as at 31 March 2021 from S\$36.3 million as at 31 March 2020. Current liabilities, including bank borrowings of S\$26.9 million and contract liabilities of S\$0.1 million, decreased to S\$63.8 million as at 31 March 2021 from S\$78.0 million as at 31 March 2020. As a result, the current ratio improved from 0.47 as at 31 March 2020 to 0.51 as at 31 March 2021.

CHAIRMAN'S STATEMENT

The Group's non-current assets decreased to S\$8.0 million as at 31 March 2021, from S\$24.8 million as at 31 March 2020. This was largely due to the disposal of the Property and Assets by one of the Company's subsidiary, Hiap Seng Engineering (Thailand) Co., Ltd. ("HSE Thailand").

Hiap Seng's cash and cash equivalents stood at S\$14.1 million as at 31 March 2021 as compared to S\$1.9 million as at 31 March 2020, with bank borrowings at S\$26.9 million as at 31 March 2021 as compared to S\$29.3 million as at 31 March 2020.

BUSINESS REVIEW AND OUTLOOK

The past two years has seen tough operating conditions due to intense price competition and the impact of COVID-19 related disruptions.

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 observed further decrease in revenue and increased costs.

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.

Since the Company's entry into Judicial Management, further cost cutting measures were taken to manage the cashflow of the Company more prudently. These measures included tightened cash flow monitoring, sales of non-core assets, novation and termination of loss-making projects to reduce the financial exposure faced by the Group and working on ongoing contracts to ensure continuity for the clients involved. These measures has resulted in a lower loss recorded and higher cash reserve kept for FY2021.

The restructuring efforts have enabled the Company to focus on providing quality services to our existing esteemed clients, who continued to place their trust in the Company to keep their plants operational. This also enabled the Company to slowly regain creditors' confidence and was able to obtain favorable credit terms from several suppliers and subcontractors.

In order to ease liquidity constraints and generate cashflow, the Company's subsidiary, HSE Thailand sold its factory buildings, workshop, two-storey building ("Property") and plant and equipment ("Assets"). The sale was completed on 18 January 2021, and HSE Thailand was placed under voluntary liquidation.

Further to the above, in FY2021 the Group decided to focus on its Singapore operations and dispose its interest in the UAE Subsidiary, Hiap Seng Engineering Limited FZC ("HS FZC") as it is a non-core asset of the Group and has been incurring losses. On 2 June 2021, the Company entered into a conditional share purchase agreement to dispose its entire 80% interest in HS FZC for approximately S\$1.0 million, and the sale was completed in September 2021.

All of the above efforts from the restructuring exercise has enabled the Company to stabilise and emerge leaner and nimbler to navigate on future possibilities.

CHAIRMAN'S STATEMENT

The Group will continue to direct its business in the plant construction and maintenance including mechanical, civil and electrical & instrumentation for oil-and-gas, petrochemical, pharmaceutical and energy sectors. We have accordingly scaled down the EPC services and projects 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.

After the restructuring exercise, the Group intends to invest in automation processes and machinery to improve our productivity and work quality. With the continued market pressure and rising costs, the Group will remain prudent in managing its operating costs, increasing productivity and ensuring profitability on the projects undertaken.

Working closely with our Judicial Managers in restructuring the business, the Company will now focus on its core competencies. We have achieved our goal in streamlining our business to become nimbler and agile. We still require some time to recover, which entails increasing our manpower, reestablishing business partnerships and gaining a firmer foothold within the industry. This has been in progress, and we will continually strive to further augment the trusts we had with our business partners before.

Hiap Seng continues to perform plant maintenance works for oil-and-gas and petrochemical majors.

A WORD OF APPRECIATION

Our ability to pull through this financial difficulty is attributed by the perseverance and sacrifice from all our employees, as well as the tremendous support from our business partners to deliver the quality services to our esteemed clients. The confidence and support garnered from our clients has also spurred our company to strengthen our resolve to recover, and gain back our footing in the industry. The trust and confidence from our clients by awarding the contracts to us in these trying conditions, is a testament of our many years of quality service for these clients.

On behalf of the Board, I thank all our staff for their diligence and unwavering commitment to the Group especially through the Company's toughest period in our 50 years of history. Your allegiance, sacrifice and determination have helped us to navigate a sustainable future for Hiap Seng.

A special note of appreciation goes to the Singapore government and its agencies for their financial 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.

TAN AH LAM FRANKIE
CHAIRMAN

BOARD OF DIRECTORS



TAN AH LAM, FRANKIE

Non-Executive Chairman

Mr Tan Ah Lam has more than 40 years of experience in the business of providing mechanical engineering services to the petroleum and petrochemical industry. Mr Tan has been with the Group since 1962. In 2007 he was appointed as Executive Chairman and CEO. On 1 April 2017, Mr Tan relinquished his position as CEO in order to facilitate the Company's succession plan. As of 2020 Mr Tan steps down from his role as Executive Chairman but remains as Chairman of the Company. Mr Tan is responsible for leading the Board and facilitating its effectiveness, ensuring the Board members are provided with accurate, timely and clear information and approves the agenda of each Board Meeting. He monitors communications between the Company and its shareholders, between Board and Management and between independent and non-independent directors with a view to encourage constructive relation and dialogue between them. He is also the Chairman of Tan Kuay Hoe Holdings Pte Ltd, a substantial shareholder of the Company.



TAN LEAU KUEE, RICHARD

Executive Director and CEO

Mr Tan Leau Kuee has more than 35 years of experience in the business of providing mechanical engineering services to the petroleum and petrochemical industry. Mr Tan has been with the Group since 1971 and was appointed Executive Director in 1990 and is also one of the key persons behind the growth and business expansion of the Group. On 1 April 2017, Mr Tan was appointed as CEO of the Group. He is responsible for overseeing the overall management and strategic operations of the Group. He bears executive responsibility for the Company's business, is instrumental in growing the business of the Company and for the working of the Board. He provides strong leadership and is overall in-charge of the Management and strategic operations of the Company. He is also a director of Tan Kuay Hoe Holdings Pte Ltd, a substantial shareholder of the Company.

BOARD OF DIRECTORS



TAN LIAN CHEW

Non-Executive Director

Mr Tan Lian Chew has over 40 years of experience in accounting, taxation, financial and corporate matters from his working with the then Inland Revenue Department, public accounting firms and the management consultancy companies, TNL Corporate Services Pte Ltd and TNL Corp-Sec Services Pte Ltd which he co-founded. Mr Tan is a full member of the Singapore Institute of Directors (SID) and is also a member of the Singapore Institute of Accredited Tax Professionals (SIATP). He oversees the Group's key corporate and financial matters such as corporate planning, investment evaluations and tax planning. He has been associated with the Company since its incorporation in 1971 and was appointed a Director in 1983. As of 2020 Mr Tan steps down from his executive role as Executive Director (Finance) but remains as Non-Executive Director of the Company. He is also a director of several other private companies in Singapore.



DR JOHN CHEN SEOW PHUN

Lead Independent Director

Dr John Chen Seow Phun was appointed as an Independent Director on 18 September 2002. He holds a PhD in Electrical Engineering from the University of Waterloo, Canada. Dr Chen was a Member of Parliament from September 1988 to April 2006. From March 1997 to June 1999, he was the Minister of State for Communications. From June 1999 to November 2001, he was the Minister of State for Communications and Information Technology and Minister of State for National Development. He is presently the Executive Chairman of Pavillon Holdings Ltd, and the Chairman of SAC Capital Pte Ltd. He also sits on the Board of a number of publicly listed companies"

BOARD OF DIRECTORS



KOH KIM WAH

Independent Director

Mr Koh Kim Wah was appointed as an Independent Director 28 July 2005. Mr Koh, a Colombo Plan Scholar, graduated from University of Canterbury, New Zealand with a 1st class Honours degree in Chemical Engineering in 1967 and later attended the Advance Management Programme at Harvard Business School in 1992. He has more than 35 years of diversified administrative, engineering, marketing and management experience in a multi-national petroleum company, where he retired as country president.

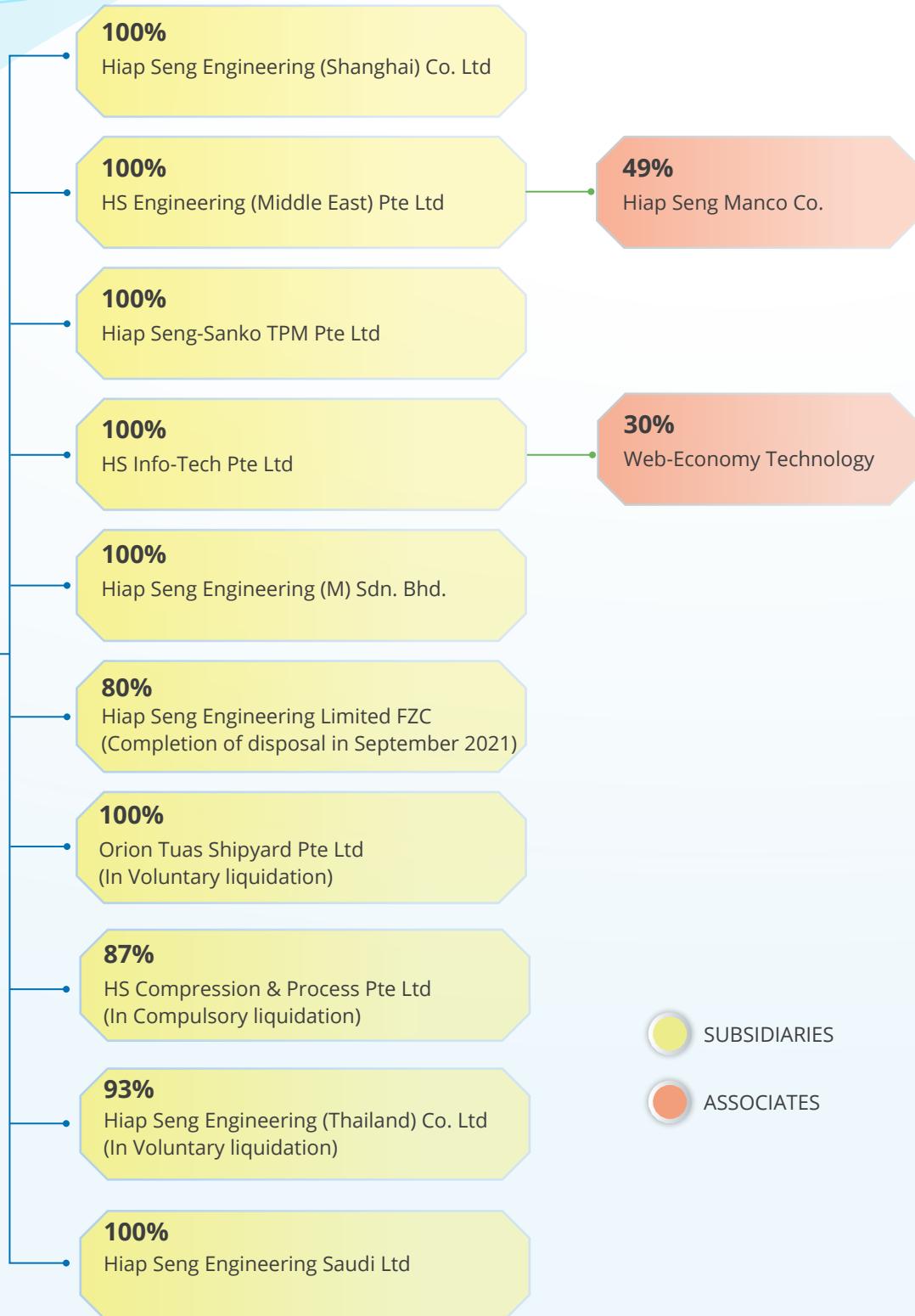


M. RAJARAM

Independent Director

Mr M. Rajaram was appointed as an Independent Director on 28 July 2005. Mr Rajaram graduated from National University of Singapore with a Bachelor of Laws (LLB) Honours degree and obtained MBA from Maastricht School of Management. He is a Fellow of Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. Mr Rajaram is an Advocate & Solicitor of Supreme Court of Singapore since 1980. He is currently the Partner and Chairman of K&L Gates Straits Law LLC where his main areas of works include Corporate Finance and Restructuring, Insolvency and Arbitration, Mergers and Acquisitions and Banking. He is a Past Chairman and currently Emeritus Chairman of Singapore Indian Chambers of Commerce & Industry and was the Vice Chairman of Singapore Business Federation. He is also a Member of the Presidential Council for Religious Harmony. He is a recipient of a Public Service Medal (PBM) given in recognition of his service to the community. He is an Independent Director of Golden Palm Resources Holdings Limited, a listed Company and is a director of several other non-listed public and private limited companies in Singapore.

GROUP STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Ah Lam, Frankie

Non-Executive Chairman

Tan Leau Kuee, Richard

Executive Director and CEO

Tan Lian Chew

Non-Executive Director

Dr John Chen Seow Phun*

Lead Independent Director

Koh Kim Wah*

Independent Director

M. Rajaram*

Independent Director

AUDIT COMMITTEE

Dr John Chen Seow Phun, Chairman

Koh Kim Wah, Member

M. Rajaram, Member

REMUNERATION COMMITTEE

Koh Kim Wah, Chairman

M. Rajaram, Member

Dr John Chen Seow Phun, Member

NOMINATING COMMITTEE

M. Rajaram, Chairman

Koh Kim Wah, Member

Tan Ah Lam Frankie, Member

JOINT COMPANY SECRETARIES

Tan Hak Jin, CA (Singapore)

Lee Pay Lee, ACIS (Resigned on 21 January 2022)

Chan Lai Yin, ACIS (Appointed on 21 January 2022)

REGISTERED OFFICE

28 Tuas Crescent

Singapore 638719

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd.

1 Harborfront Avenue

Keppel Bay Tower

#14-07

Singapore 098632

AUDITORS

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

7 Straits View, Marina One

East Tower, Level 12

Singapore 018936

Partner: Maurice Loh Seow Wee

(Year of appointment: FY2017)

JOINT AND SEVERAL JUDICIAL MANAGERS

Oon Su San

Lin Yueh Hung

8 Wilkie Rd

#03-08

Wilkie Edge

Singapore 228095

PRINCIPAL BANKER

United Overseas Bank Limited

*Pursuant to Rule 210(5)(d)(iii) of SGX Listing Manual, with effect from 1 January 2022, continued appointment as an independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding directors, chief executive officer and their associates.

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DIRECTORS' STATEMENT

For the financial year ended 31 March 2021

The directors present their statement to the members together with the audited consolidated financial statements of Hiap Seng Engineering Ltd (the "Company") (under Judicial Management) and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2021 and the balance sheet of the Company as at 31 March 2021.

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 19 to 82 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 2021 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' STATEMENT

For the financial year ended 31 March 2021

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 31.3.2021	At 1.4.2020	At 31.3.2021	At 1.4.2020
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 31.3.2021	At 1.4.2020
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	2,799,999
Hiap Seng Engineering Limited FZC	97,906	97,906

- (c) The directors' interests in the ordinary shares of the Company as at 21 April 2021 were the same as those as at 31 March 2021.

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 2021

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 judicial managers were appointed. The Judicial Managers 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 2021, as well as the Independent Auditor's Report thereon, for the submission to the Board of Directors.

The Judicial Managers 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

15 November 2022

TAN LEAU KUEE @ TAN CHOW KUEE
Director

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 Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 2021, 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 financial year ended 31 March 2021;
- the balance sheet of the Group as at 31 March 2021;
- the balance sheet of the Company as at 31 March 2021;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Qualified Opinion

For the financial year ended 31 March 2021, the Group recorded cost of services for a project undertaken by Hiap Seng Engineering Limited FZC ("HSFZC") of \$461,000 within its loss from discontinued operation. HSFZC was a subsidiary as at 31 March 2021 and was disposed by the Group in June 2021. We were unable to obtain sufficient appropriate audit evidence relating to the nature and timing of the incurrence of these costs as the Company no longer has access to the accounting records of HSFZC. Consequently, we were unable to determine whether any adjustments to the opening retained earnings and loss from discontinued operation recorded in the current financial year were necessary.

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 qualified 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.

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)

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 \$5,363,000 for the financial year ended 31 March 2021 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by \$31,356,000 and \$32,007,000 respectively. It is further indicated that 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.

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 2021. 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 matters described in the *Basis for Qualified Opinion* and the *Material Uncertainty Related to Going Concern* sections, we have determined the matter described below to be the key audit matter to be communicated in our report.

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 (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><u>Contracts with performance obligations satisfied over time</u> (Refer to Note 2.3, Note 3 and Note 4)</p> <p>During the financial year ended 31 March 2021, revenue from shutdown maintenance and plant and equipment construction contracts amounted to \$13.5 million (Note 4), which represented 46.0% of the total revenue of the Group. In addition, the results from discontinued operations included revenue contribution from these contracts amounting to \$11.5 million (Note 10).</p> <p>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.</p> <p>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.</p>	<p>We performed the following audit procedures for contracts selected on a sample basis:</p> <ul style="list-style-type: none">(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:<ul style="list-style-type: none">(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;(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. <p>Based on the audit procedures performed above, except for the matter described in the <i>Basis for Qualified Opinion</i> section, we found management's estimation of project revenue and project costs to be appropriately supported, and the disclosures in this respect, to be adequate.</p>

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)

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 auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient evidence relating to the cost of services for a project of \$461,000 included in the loss from discontinued operation. We are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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.

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.

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)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the matter described in the *Basis for Qualified Opinion* section above, 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 2021

	Note	2021 \$'000	2020 \$'000
Continuing operations			
Revenue	4	29,392	136,203
Cost of services rendered	5	(31,447)	(144,399)
Gross loss		(2,055)	(8,196)
Other income	7	1,190	109
Other gains/(losses) - net			
- Allowance for impairment of financial assets and contract assets		(243)	(1,318)
- Others	7	4,340	626
Expenses			
- Administrative	5	(7,788)	(14,576)
- Finance	8	(1,265)	(1,121)
Share of profit/(loss) of associated companies	15	19	(31)
Loss before income tax		(5,802)	(24,507)
Income tax credit	9	565	97
Loss from continuing operations		(5,237)	(24,410)
Discontinued operations			
Loss from discontinued operations	10	(126)	(1,218)
Total loss		(5,363)	(25,628)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		523	(90)
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		(22)	29
Financial assets, at FVOCI			
- Fair value losses – equity investments	26(b)(iii)	(12)	(595)
Other comprehensive income/(loss), net of tax		489	(656)
Total comprehensive loss		(4,874)	(26,284)
Loss attributable to:			
Equity holders of the Company		(5,017)	(23,807)
Non-controlling interests		(346)	(1,821)
		(5,363)	(25,628)
Loss attributable to equity holders of the Company relates to:			
Loss from continuing operations		(4,916)	(22,832)
Loss from discontinued operations		(101)	(975)
		(5,017)	(23,807)
Total comprehensive loss attributable to:			
Equity holders of the Company		(4,506)	(24,492)
Non-controlling interests		(368)	(1,792)
		(4,874)	(26,284)
Basic and diluted loss per share (cents per share)			
From continuing operations	11	(1.6)	(7.5)
From discontinued operations	11	(*)	(0.3)

* Less than 0.1 cents per share

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

BALANCE SHEET - GROUP

As at 31 March 2021

	Note	31 March 2021	31 March 2020	Group
		\$'000	\$'000	
ASSETS				
Current assets				
Cash and cash equivalents	12	14,126	1,885	
Trade and other receivables	13	7,168	20,992	
Contract assets	4(b)	3,747	10,004	
Other current assets	14	1,087	3,434	
		26,128	36,315	
Assets of disposal group classified as held-for-sale	10	6,295	-	
		32,423	36,315	
Non-current assets				
Investments in associated companies	15	274	255	
Property, plant and equipment	18	6,995	23,550	
Financial assets, at FVOCI	19	700	712	
Club memberships	20	-	253	
		7,969	24,770	
Total assets		40,392	61,085	
LIABILITIES				
Current liabilities				
Trade and other payables	21(a)	31,321	41,207	
Provision for onerous contracts	21(b)	114	266	
Contract liabilities	4(b)	107	5,667	
Current income tax liabilities		376	27	
Borrowings	22	26,901	29,326	
Lease liabilities		789	1,511	
		59,608	78,004	
Liabilities of disposal group classified as held-for-sale	10	4,171	-	
		63,779	78,004	
Non-current liabilities				
Lease liabilities		821	1,667	
Deferred income tax liabilities	24	-	748	
		821	2,415	
Total liabilities		64,600	80,419	
NET LIABILITIES		(24,208)	(19,334)	
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	25	36,178	36,178	
Other reserves	26	17	(494)	
Accumulated losses		(57,928)	(52,911)	
		(21,733)	(17,227)	
Non-controlling interests	16	(2,475)	(2,107)	
Total equity		(24,208)	(19,334)	

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

BALANCE SHEET - COMPANY

As at 31 March 2021

	Note	Company	
		31 March 2021 \$'000	31 March 2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	12	9,197	360
Trade and other receivables	13	9,500	29,300
Contract assets	4(b)	2,806	1,723
Other current assets	14	820	1,247
		22,323	32,630
Non-current asset classified as held-for-sale	10	993	-
		23,316	32,630
Non-current assets			
Investments in subsidiaries	16	1,231	2,254
Investment property	17	-	-
Property, plant and equipment	18	6,409	9,815
Financial assets, at FVOCI	19	700	712
Club memberships	20	-	253
		8,340	13,034
Total assets		31,656	45,664
LIABILITIES			
Current liabilities			
Trade and other payables	21(a)	32,696	37,666
Provision for onerous contracts	21(b)	44	177
Contract liabilities	4(b)	100	2,902
Current income tax liabilities		13	3
Borrowings	22	21,693	22,025
Lease liabilities		777	1,447
		55,323	64,220
Non-current liabilities			
Lease liabilities		821	1,599
Deferred income tax liabilities	24	-	322
		821	1,921
Total liabilities		56,144	66,141
NET LIABILITIES		(24,488)	(20,477)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	36,178	36,178
Other reserves	26	(1,782)	(1,770)
Accumulated losses	27	(58,884)	(54,885)
Total equity		(24,488)	(20,477)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2021

← Attributable to equity holders →
of the Company

	Share capital \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
2021						
Balance as at 1 April 2020	36,178	(494)	(52,911)	(17,227)	(2,107)	(19,334)
Loss for the year	-	-	(5,017)	(5,017)	(346)	(5,363)
Other comprehensive income/ (loss) for the year	-	511	-	511	(22)	489
Total comprehensive loss for the year	-	511	(5,017)	(4,506)	(368)	(4,874)
Balance as at 31 March 2021	36,178	17	(57,928)	(21,733)	(2,475)	(24,208)
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 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	-	-	-	-	242	242
Balance as at 31 March 2020	36,178	(494)	(52,911)	(17,227)	(2,107)	(19,334)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Total loss		(5,363)	(25,628)
Adjustments for:			
- Income tax credit		(565)	(97)
- Impairment of financial assets and contract assets		243	1,318
- Depreciation		4,612	5,909
- Loss on lease modification		147	-
- Net gain on disposal of property, plant and equipment		(4,390)	(701)
- Property, plant and equipment written off		13	748
- Net gain on disposal of club membership		(35)	-
- Net gain on disposal of a subsidiary		(204)	(304)
- Club membership written off		-	17
- Unrealised currency translation losses/(gains)		559	(394)
- Interest expense		1,265	1,121
- Interest income		(2)	(1)
- Dividend income		(35)	(108)
- Share of (profit)/loss of associated companies		(19)	31
- Impairment of property, plant and equipment		-	195
		(3,774)	(17,894)
Change in working capital, net of effects from acquisition and disposals of subsidiaries:			
- Contract assets		5,842	12,033
- Trade and other receivables		11,537	3,422
- Other current assets		2,034	2,649
- Contract liabilities		(3,347)	(4,923)
- Trade and other payables and provisions		(7,727)	1,747
Cash generated from/(used in) operations		4,565	(2,966)
Income tax paid		-	(17)
Net cash provided by/(used in) operating activities		4,565	(2,983)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		13,877	734
Purchases of property, plant and equipment		(292)	(772)
Proceeds from disposal of club membership		288	-
Interest received		2	1
Disposal of a subsidiary, net of cash disposed		(26)	12
Net cash provided by/(used in) investing activities		13,849	(25)
Cash flows from financing activities			
Interest paid		(251)	(1,121)
Net repayment of bank financing (trust receipts)		(795)	(566)
Proceeds from bank borrowings		-	41,629
Repayment of bank borrowings		(370)	(43,494)
Repayment of principal portion of lease liabilities		(1,440)	(1,582)
Net cash used in financing activities		(2,856)	(5,134)
Cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents		15,558	(8,142)
Beginning of financial year	12	(391)	7,629
Effects of currency translation on cash and cash equivalents		(118)	122
End of financial year	12	15,049	(391)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2021

Reconciliation of liabilities arising from financing activities

	1 April 2020 \$'000	Cash flows \$'000	Non-cash changes \$'000			31 March 2021 \$'000
			Modification of lease liability	Interest expenses	Foreign exchange movement	
Bank borrowings	15,100	(26)	-	575	-	15,649
Trade receivables invoice financing	9,247	(347)	-	428	(95)	9,233
Bank financing (trust receipts)	2,703	(941)	-	160	60	1,982
Lease liabilities	3,178	(1,536)	(128)	96	-	1,610

	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	4,988	(1,754)	4,988	172	(232)	4	3,178

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

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 35 to the financial statements.

On 15 September 2020, the Company and its subsidiary, HS Compression 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 \$5,363,000 for the financial year ended 31 March 2021. As at 31 March 2021 the Group and the Company reported a net current liabilities position of \$31,356,000 and \$32,007,000 respectively.

Judicial Management

On 15 September 2020, the Company and its subsidiary, HSCP, were placed under judicial management.

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

- (a) Survival of the Company, or the whole or part of its undertaking as a going concern;
- (b) The approval under Section 210 of the Companies Act 1967 or Section 71 of the Insolvency, Restructuring and Dissolution Act 2018 of a compromise or arrangement between the Company and any such persons as mentioned in those sections; and/or
- (c) A more advantageous realisation of the Company's assets than on winding up.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

Judicial Management (continued)

During the judicial management period, there was a stay on all suits, proceedings, claims etc. against the Company, except with the consent of the Judicial Managers ("JMs") or with the leave of the Court. The unsecured debts and liabilities owing to the principal lender and unsecured claims from creditors (collectively, the "Creditors") prior to 15 September 2020 would be addressed/restructured via a Scheme of Arrangement ("Scheme").

On 7 January 2022, the Company entered into a Conditional Subscription Agreement ("CSA") with a group of investors, in which the investors will subscribe for \$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, which was duly approved by the creditors, allowing the Company to restructure the debts and liabilities of the Company owing to the Creditors prior to 15 September 2020. The aforesaid Scheme is one of the conditions precedent referred to in the CSA, and the approval of the Scheme fulfils one of the anticipated steps to complete the restructuring exercise of the Company.

With reference to the events after the balance sheet date (Note 33), 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 \$25,860,000 as at 31 March 2021, as "Current Liabilities" as the Company had breached certain covenant requirements and the repayment of the borrowings are on a short term basis.

On 6 September 2021, a Court Order was obtained by the principal lender to enforce their mortgage over one of the Company's properties, and the proceeds arising from the mortgage 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

Borrowings from the Creditors (continued)

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

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

Cash flows from operating activities

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

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

On the above basis, the financial statements for the financial year ended 31 March 2021 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 2021

On 1 April 2021, the Group adopted the new or amended SFRS(I) and Interpretations to SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

2.3 Revenue recognition (continued)

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

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.

- (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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(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.

(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 or joint venture, 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(c) Associated companies (continued)

(iii) Disposals (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(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.

2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

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.

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 represents 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".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(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 29 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 the receivables.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

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.

2.13 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

(a) 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 recognises 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".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

2.15 Leases (continued)

(a) When the Group is the lessee: (continued)

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.

(b) When the Group is the lessor:

The Group leases equipment and leasehold land and building under operating leases to non-related parties.

Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Lessor – Subleases

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as an operating lease, the Group recognises lease income from the sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

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 gains/losses - 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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

2. Significant accounting policies (continued)

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.

2.25 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

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 cost ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of contract revenue. When it is probable that the total contract costs will exceed the total contract revenue, a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has applied its past experience of completing similar projects, as well as quotations from and contracts with suppliers and sub-contractors. These estimations are also made with due consideration of the circumstances and relevant events that were known to management at the date of these financial statements. Total project costs may also be affected by factors such as uncertainties in contract execution, variation in scope of works and acceptance of claims by customers.

If the estimated contract costs to complete 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 \$253,000 and \$258,000 respectively.

(b) *Critical judgement over the lease terms*

As at 31 March 2021, the Group's lease liabilities, which are measured based on the lease terms, amounted to \$1,610,000. Extension options are included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option.

For leases of land and factories with conditional extension of lease terms, the Group considers the likelihood of fulfilling those conditions within the prescribed timeline given its financial position.

As at 31 March 2021, future (undiscounted) cash outflows of approximately \$28,572,000 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

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.

	At a point in time \$'000	Over time			Total \$'000
		Plant construction and maintenance \$'000	Compression and process fabrication \$'000		
2021					
Rendering of maintenance services	-	14,043	-	14,043	
Shutdown maintenance	-	4,238	-	4,238	
Construction of plant and equipment	-	9,520	(238)	9,282	
Others	1,829	-	-	1,829	
	1,829	27,801	(238)	29,392	
2020					
Rendering of maintenance services	-	38,807	-	38,807	
Shutdown maintenance	-	23,107	-	23,107	
Construction of plant and equipment	-	51,278	21,323	72,601	
Others	1,688	-	-	1,688	
	1,688	113,192	21,323	136,203	

(b) Contract assets and liabilities

	31 March		1 April
	2021 \$'000	2020 \$'000	2019 \$'000
<u>Group</u>			
Contract assets	3,747	10,252	22,285
Less: loss allowance (Note 29(b))	-	(248)	-
Total contract assets	3,747	10,004	22,285
Contract liabilities	107	5,667	10,590

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

4. Revenue from contracts with customers (continued)

(b) Contract assets and liabilities (continued)

<u>Company</u>	31 March	1 April
	2021	2020
	\$'000	\$'000
Contract assets	2,806	1,723
Contract liabilities	100	2,902
		3,414

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

<u>Group</u>	31 March	2020
	2021	\$'000
	\$'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	5,667	6,938

(ii) Unsatisfied performance obligations

<u>Group</u>	31 March	2020
	2021	\$'000
	\$'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	3,482	37,311

Management expects that 100% of transaction price allocated to the unsatisfied performance obligations as of 31 March 2021 may be recognised as revenue during the next reporting period as the Group continues to perform to complete the construction. The amount disclosed above does not include variable consideration, which is subject to significant risk of reversal.

As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts for rendering of maintenance services of periods of one year or less, or are billed based on time incurred, is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

5. Expenses by nature

	Group		
	2021	2020	
	\$'000	\$'000	
Sub-contractor charges	7,277	49,876	
Structural materials and other related costs	4,114	39,154	
Employee compensation (Note 6)	16,767	45,468	
Foreign worker levy	(1,367)	4,616	
Rental expenses	41	235	
Property taxes	390	553	
Transportation & logistic expenses	1,921	9,653	
Professional fees (including judicial management related fees)	1,846	923	
Directors' fees	86	201	
Utilities expenses	358	643	
Depreciation (Note 18)	4,306	5,537	
Fees on audit services paid to:			
- Auditor of the Company			
- Current year	341	445	
- Other auditors *	42	100	
Non-audit fees paid to:			
- Auditor of the Company	-	6	
Other expenses	3,113	1,565	
Total cost of services rendered and administrative expenses	<u>39,235</u>	<u>158,975</u>	

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

Property tax rebate and foreign worker levy rebate of \$165,000 and \$2,241,000 were recognised and netted against the respective expenses during the financial year under the COVID-19 Government Relief Measures. The property tax rebate was part of the Resilience Budget which seeks to support businesses affected by the COVID-19 outbreak. The foreign worker rebate was introduced to support businesses with foreign workers on work permits and S-passes that were affected by suspension of operation during the circuit breaker period.

6. Employee compensation

	Group		
	2021	2020	
	\$'000	\$'000	
Wages and salaries	18,148	44,180	
Government grants	(2,020)	(169)	
Employer's contribution to defined contribution plans including Central Provident Fund	639	1,457	
	<u>16,767</u>	<u>45,468</u>	

Government grants include grant income of \$1,524,000 under Job Support Scheme ("JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. The scheme had been extended up to 2021 by the Government. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

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

	Group		
	2021	2020	
	\$'000	\$'000	
Other income:			
- Sub-lease of leasehold land and building (Note 23(g))	990	-	
- Rental of equipment	163	-	
- Dividend income	35	108	
- Interest income	2	1	
	1,190	109	
Other gains/(losses) - net:			
- Currency exchange (loss)/gain - net	(664)	242	
- Net gain on disposal of property, plant and equipment	4,495	701	
- Property, plant and equipment written off	(13)	(748)	
- Net gain on disposal of a subsidiary (Note 16)	204	304	
- Net gain on disposal of club membership	35	-	
- Impairment of property, plant and equipment (Note 18)	-	(45)	
- Impairment of club membership	-	(17)	
- Loss on lease modification	(147)	-	
- Sundry gain	430	189	
	4,340	626	

8. Finance expenses

	Group		
	2021	2020	
	\$'000	\$'000	
Interest expense			
- Bank overdrafts	6	52	
- Bank borrowings	1,163	897	
- Lease liabilities (Note 23(c))	96	172	
	1,265	1,121	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

9. Income taxes

	Group	
	2021	2020
	\$'000	\$'000
Tax credit attributable to results is made up of:		
- Loss for the financial year:		
From continuing operations		
Current income tax		
- Withholding tax	167	37
Deferred income tax (Note 24)	(732)	(134)
	<u>(565)</u>	<u>(97)</u>
Tax credit is attributable to:		
- continuing operations	(565)	(97)

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	
	2021	2020
	\$'000	\$'000
Loss before tax from		
- continuing operations	(5,802)	(24,507)
- discontinued operations (Note 10)	(126)	(1,218)
	<u>(5,928)</u>	<u>(25,725)</u>
Less: Share of (profit)/loss of associated companies, net of tax	(19)	31
Loss before tax and share of profit of associated companies	<u>(5,947)</u>	<u>(25,694)</u>
Tax calculated at tax rate of 17% (2020: 17%)	(1,011)	(4,368)
Effects of:		
- different tax rates in other countries	477	(101)
- income not subject to tax	(250)	(38)
- expenses not deductible for tax purposes	596	553
- utilisation of previously unrecognised tax losses	(723)	-
- deferred tax asset not recognised	179	3,820
- withholding tax	167	37
Tax credit	<u>(565)</u>	<u>(97)</u>

10. Discontinued operations and disposal group classified as held-for-sale

In February 2021, the Judicial Managers in consultation with the Group's management, decided to dispose the Group's 80%-owned subsidiary, Hiap Seng Engineering Limited FZC, which is based in the United Arab Emirates. The assets and liabilities of Hiap Seng Engineering Limited FZC were presented as a disposal group classified as held-for-sale as at 31 March 2021, and the results from Hiap Seng Engineering Limited FZC was presented separately on the statement of comprehensive income as "Discontinued operations" for the financial year ended 31 March 2021. The disposal group was previously presented under the "plant construction and maintenance" reportable segment of the Group (Note 31).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

10. Discontinued operations and disposal group classified as held-for-sale (continued)

- (a) The results of the discontinued operations are as follows:

	Group	2021	2020
		\$'000	\$'000
Revenue		11,536	13,416
Expenses		(11,662)	(14,634)
Loss for the year from discontinued operations		(126)	(1,218)

- (b) The impact of the discontinued operations on the cash flows of the Group was as follows:

	Group	2021	2020
		\$'000	\$'000
Operating cash (outflows)/inflows		(688)	3,934
Investing cash inflows/(outflows)		71	(66)
Total cash (outflows)/inflows		(617)	3,868

- (c) Details of the assets of disposal group classified as held-for-sale were as follows:

	Group As at 31 March 2021	\$'000
Cash and cash equivalents (Note 12)	960	
Trade and other receivables	2,084	
Contract assets	408	
Other current assets	284	
Property, plant and equipment (Note 18)	2,559	
		6,295

- (d) Details of the liabilities directly associated with disposal group classified as held-for-sale were as follows:

Trade and other payables	1,958
Contract liabilities	2,213
	4,171

- (e) Cumulative income recognised in other comprehensive income relating to disposal group classified as held-for-sale were as follows:

Currency translation differences	(24)
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

10. Discontinued operations and disposal group classified as held-for-sale (continued)

	Company As at 31 March 2021 \$'000
(f) Details of assets in non-current asset classified as held-for-sale were as follows: Investment in subsidiary (net of allowance for impairment losses)	<u>993</u>

11. 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		Discontinued operation		
	Continuing operations	2021	2020	2021	2020
Net loss attributable to equity holders of the Company (\$'000)		(4,916)	(22,832)	(101)	(975)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)		303,750	303,750	303,750	303,750
Basic loss per share (cents per share)		(1.6)	(7.5)	(*)	(0.3)

* Less than 0.1 cents per share

(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 2021 and 2020 as the Group did not have any potential ordinary shares outstanding as at 31 March 2021 and 2020.

12. Cash and cash equivalents

	Group 31 March		Company 31 March	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	14,126	1,885	9,197	360

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

12. Cash and cash equivalents (continued)

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

	Group	
	2021	2020
	\$'000	\$'000
Cash and bank balances (as above)	14,126	1,885
Add: Cash and cash equivalents of discontinued operations classified as held-for-sale (Note 10(c))	960	-
Less: Bank overdrafts (Note 22)	(37)	(2,276)
Cash and cash equivalents per consolidated statement of cash flows	15,049	(391)

13. Trade and other receivables

	Group		Company	
	31 March		31 March	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Trade receivables:				
- Non-related parties	8,477	21,283	4,710	12,291
- Subsidiaries	-	-	5,429	8,843
	8,477	21,283	10,139	21,134
Less: Allowance for impairment				
- Non-related parties (Note 29(b))	(1,768)	(1,526)	(206)	-
- Subsidiaries	-	-	(4,226)	(3,829)
Trade receivables - net	6,709	19,757	5,707	17,305
Other receivables	436	1,141	383	666
Less: Allowance for impairment	(12)	(12)	-	-
Other receivables - net	424	1,129	383	666
Dividend receivables	35	106	35	106
Loans to subsidiaries	-	-	23,547	26,225
Less: Allowance for impairment	-	-	(23,547)	(21,338)
Loans to subsidiaries - net (Note 30(c))	-	-	-	4,887
Non-trade receivables:				
- Subsidiaries	-	-	4,858	7,917
Less: Allowance for impairment	-	-	(1,483)	(1,581)
Non-trade receivables - net (Note 30(d))	-	-	3,375	6,336
	7,168	20,992	9,500	29,300

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

14. Other current assets

	Group 31 March		Company 31 March	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deposits	617	1,656	376	268
Prepayments	552	1,860	444	979
	1,169	3,516	820	1,247
Less: Impairment of other current assets	(82)	(82)	-	-
	1,087	3,434	820	1,247

15. Investments in associated companies

	Group 31 March	
	2021 \$'000	2020 \$'000
Beginning of financial year	255	297
Currency translation differences	-	(11)
Share of profits/(losses)	19	(31)
End of financial year	274	255

Details of associated companies are provided in Note 35.

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.

16. Investments in subsidiaries

	Company	
	2021 \$'000	2020 \$'000
<i>Equity investments at cost</i>		
Beginning of financial year	26,753	26,753
Reclassified to asset classified as held-for-sale	(5,423)	-
Liquidation of a subsidiary	(500)	-
End of financial year	20,830	26,753
Less: Allowance for impairment losses	(19,599)	(24,499)
	1,231	2,254

Details of subsidiaries are provided in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

16. Investments in subsidiaries (continued)

Carrying value of non-controlling interests

	2021 \$'000	2020 \$'000
HS Compression & Process Pte Ltd (In Compulsory Liquidation)	(2,849)	(2,395)
Hiap Seng Engineering (Thailand) Co., Ltd (In Voluntary Liquidation)	128	(118)
Other subsidiaries with immaterial non-controlling interests	246	406
Total	(2,475)	(2,107)

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)		Hiap Seng Engineering (Thailand) Co., Ltd (In Voluntary Liquidation)	
	As at 31 March		As at 31 March	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Assets	4,003	8,791	1,802	2,355
Liabilities	(25,835)	(27,164)	(472)	(13,149)
Total current net liabilities	(21,832)	(18,373)	1,330	(10,794)
Non-current				
Assets	-	71	-	8,457
Liabilities	-	(62)	(16)	(12)
Total non-current net assets	-	9	(16)	8,445
Net (liabilities)/assets	(21,832)	(18,364)	1,314	(2,349)

Summarised statement of comprehensive income

	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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue				
(Loss)/profit before income tax	1,189	27,162	1,488	12,637
Income tax credit/(expense)	(3,474)	(7,166)	3,715	(3,374)
(Loss)/profit after tax and total comprehensive (loss)/income	6	(7)	-	-
Total comprehensive (loss)/income allocated to non-controlling interests	(3,468)	(7,173)	3,715	(3,374)
	(453)	(935)	248	(220)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

16. 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
	2021 \$'000	2020 \$'000
Net cash provided by/(used in) operating activities	2,030	(4,568)
Net cash provided by/(used in) investing activities	22	(25)
Net cash provided by/(used in) financing activities	426	4,102
	(9,131)	1,991
	13,155	(245)
	(1,953)	(1,862)

On 5 September 2020, the Company's wholly-owned subsidiary, Asia Process Industries ("API") was placed under voluntary liquidation. As a result, the net liabilities of API was deconsolidated during the financial year. The effects of the liquidation on the Group were as follows:

	Group At 31 March 2021 \$'000
Cash and cash equivalents	26
Trade and other receivables	2
Other current assets	30
Property plant and equipment (Note 18)	87
Total assets	<u>145</u>
Trade and other payables	(4,832)
Deferred tax liability	(16)
Total liabilities	<u>(4,848)</u>
Net liabilities disposed of	<u>(4,703)</u>
<u>Cash outflows arising from disposal of a subsidiary:</u>	
Net liabilities disposed of	(4,703)
Payables to API recognised within "Trade payables"	4,499
Gain on disposal of a subsidiary (Note 7)	204
Cash proceeds on disposal of a subsidiary	-
Less: Cash and cash equivalents of subsidiary disposed of	<u>(26)</u>
Net cash outflow on disposal of a subsidiary	<u>(26)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

17. Investment property

	Company	
	2021	2020
	\$'000	\$'000
<i>Cost and accumulated depreciation</i>		
Beginning and end of financial year	1,797	1,797

Net book value

End of financial year

Management did not determine the fair value of the investment property as at 31 March 2021 for disclosure purposes because the leasehold investment property was returned to the lessor subsequent to 31 March 2021 and management is of the view that the information is not meaningful to users of the financial statements.

In the previous financial year, the fair value of the investment property was:

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

18. Property, plant and equipment

	Freehold Land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
<u>Group</u>							
<u>2021</u>							
<i>Cost</i>							
Beginning of financial year	1,712	11,314	17,266	31,777	4,797	8,019	74,885
Additions	-	-	-	270	20	2	292
Disposals	(1,740)	(11,521)	(1,875)	(7,040)	(1,185)	(674)	(24,035)
Reclassified to disposal group (Note 10(c))	-	-	(778)	(2,598)	-	(292)	(3,668)
Disposal of subsidiary	-	-	-	(555)	(666)	(124)	(1,345)
Lease modification	-	-	-	-	-	(276)	(276)
Written-off	-	-	-	(134)	(20)	(58)	(212)
Currency translation differences	28	207	(48)	(18)	10	(2)	177
End of financial year	-	-	14,565	21,702	2,956	6,595	45,818
<i>Accumulated depreciation and impairment</i>							
Beginning of financial year	-	5,125	12,045	22,237	4,425	7,503	51,335
Depreciation charge	-	517	1,709	1,611	205	264	4,306
- Continuing operations (Note 5)	-	-	39	211	-	56	306
- Discontinued operations	-	(5,740)	(1,219)	(5,617)	(1,113)	(859)	(14,548)
Disposal	-	-	(161)	(757)	-	(191)	(1,109)
Reclassified to disposal group (Note 10(c))	-	-	-	-	-	-	-
Disposal of subsidiary	-	-	-	(479)	(666)	(113)	(1,258)
Lease modification	-	-	-	-	-	(192)	(192)
Written-off	-	-	-	(121)	(20)	(58)	(199)
Currency translation differences	-	98	(1)	70	9	6	182
End of financial year	-	-	12,412	17,155	2,840	6,416	38,823
<i>Net book value</i>							
<i>End of financial year</i>	-	-	2,153	4,547	116	179	6,995

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

18. Property, plant and equipment (continued)

<u>Group</u>	<u>Freehold land</u> \$'000	<u>Freehold buildings</u> \$'000	<u>Leasehold buildings</u> \$'000	<u>Plant and machinery</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Furniture, fittings and equipment</u> \$'000	<u>Total</u> \$'000
2020							
<i>Cost</i>							
Beginning of financial year	1,686	11,095	12,622	37,019	5,587	7,830	75,839
Adoption of SFRS(I) 16	-	-	4,266	-	-	276	4,542
Additions	-	22	313	451	238	61	1,085
Disposal of a subsidiary	-	-	-	(2,736)	(809)	(108)	(3,653)
Disposals	-	-	-	(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
<i>Accumulated depreciation and impairment</i>							
Beginning of financial year	-	4,412	10,088	23,245	4,486	7,161	49,392
Depreciation charge	-	644	1,766	2,305	401	421	5,537
- Continuing operations	-	-	34	229	53	56	372
- Discontinued operations	-	-	-	(1,211)	(302)	(107)	(1,620)
Disposal of a subsidiary	-	-	-	(2,445)	(231)	(68)	(2,744)
Disposal	-	-	-	151	11	22	195
Impairment losses (Note 7)	-	-	-	(9)	-	-	(9)
Written-off	-	-	-	69	6	112	7
Currency translation differences	-	-	-	-	-	-	212
End of financial year	-	5,125	12,045	22,237	4,425	7,503	51,335
<i>Net book value</i>							
<i>End of financial year</i>	1,712	6,189	5,221	9,540	372	516	23,550

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

18. Property, plant and equipment (continued)

	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
<u>Company</u>					
2021					
<i>Cost</i>					
Beginning of financial year	12,102	21,642	3,746	5,671	43,161
Additions	-	12	20	2	34
Disposals	-	(462)	(912)	-	(1,374)
Written-off	-	(12)	-	-	(12)
Lease modification	-	-	-	(192)	(192)
End of financial year	12,102	21,180	2,854	5,481	41,617
<i>Accumulated depreciation</i>					
Beginning of financial year	8,855	15,761	3,478	5,252	33,346
Depreciation charge	1,562	1,289	174	229	3,254
Disposals	-	(317)	(896)	-	(1,213)
Written-off	-	(8)	-	-	(8)
Lease modification	-	-	-	(171)	(171)
End of financial year	10,417	16,725	2,756	5,310	35,208
<i>Net book value</i>					
End of financial year	1,685	4,455	98	171	6,409
2020					
<i>Cost</i>					
Beginning of financial year	7,523	24,047	3,810	5,524	40,904
Adoption of SFRS(I) 16	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
<i>Accumulated depreciation</i>					
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
<i>Net book value</i>					
End of financial year	3,247	5,881	268	419	9,815

- (a) Right-of-use 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).

During the current financial year, lease contracts for certain office equipment were terminated early by the Group. As the early terminations were not part of the terms and conditions of the original lease contracts, these were accounted for as lease modification with a loss arising on lease modification, recognised within 'Other gains/(losses) - net' (Note 7).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

18. Property, plant and equipment (continued)

- (b) At 31 March 2021, certain freehold land and buildings and some of its machineries of the Group with net carrying amounts of \$Nil (2020: \$6,973,000), were pledged as collateral to secure credit facilities granted by financial institutions. During the financial year, the Group has sold these assets and the proceeds have been used to pay the financial institution in full.
- (c) Certain leasehold buildings of the Group with a net carrying amount of \$111,000 (2020: \$171,000) were mortgaged to banks to secure banking facilities.
- (d) The relevant information on the Group's properties is set out as follows:

Description	Location	Land Area (sq metres)	Tenure
<u>Group and Company</u>			
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
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)
<u>Group</u>			
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

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For the financial year ended 31 March 2021

19. Financial assets, at FVOCI

	Group and Company	
	2021	2020
	\$'000	\$'000
Beginning of financial year	712	1,307
Net fair value losses (Note 26(b)(iii))	(12)	(595)
End of financial year	700	712

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 29(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 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.

20. Club memberships

	Group and Company	
	2021	2020
	\$'000	\$'000
Cost		
Beginning of financial year	278	374
Disposal	(278)	(96)
End of financial year	-	278
Accumulated impairment		
Beginning of financial year	25	-
Allowance for impairment	-	25
Disposal	(25)	-
End of financial year	-	25
Net book value		
End of financial year	-	253

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For the financial year ended 31 March 2021

21(a). Trade and other payables

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade payables to:				
- Non-related parties	26,868	35,840	17,339	16,936
- Subsidiaries	-	-	6,501	12,956
- Associated companies	163	39	163	39
	27,031	35,879	24,003	29,931
Other payables	460	2,131	427	251
Corporate guarantee	-	-	5,000	5,000
Accruals for operating expenses	3,830	3,197	3,266	2,484
Total trade and other payables	31,321	41,207	32,696	37,666

21(b). Provision for onerous contracts

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Beginning of financial year	266	5,852	177	5,852
Provision made	114	266	44	177
Provision utilised	(266)	(5,852)	(177)	(5,852)
End of financial year	114	266	44	177

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.

22. Borrowings

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<i>Current</i>				
Bank overdrafts (Note 12)	37	2,276	-	1,684
Bank borrowings	15,649	15,100	10,478	10,100
Bank financing (trust receipts)	1,982	2,703	1,982	994
Trade receivables invoice financing	9,233	9,247	9,233	9,247
Total borrowings	26,901	29,326	21,693	22,025

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For the financial year ended 31 March 2021

22. Borrowings (continued)

Bank borrowings, including facilities utilised for trade receivables invoice financing of \$24,882,000 (2020: \$24,347,000) are contractually repriced within 1-6 months (2020: 1-6 months) from balance sheet date and are subject to variable interest rates ranging from 2.24% to 4.18% (2020: 3.07% to 4.18%) per annum.

Security granted

- (i) Bank overdrafts and bank financing (trust receipts) of the Group amounting to \$2,019,000 (2020: \$4,979,000) are secured by a mortgage of certain 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 \$24,882,000 (2020: \$24,347,000) are secured by mortgage of certain 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.

23. Leases

Nature of the Group's leasing activities – Group as a lessee

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 2021	1 April 2020
	\$'000	\$'000
Leasehold buildings	1,598	3,077
Motor vehicles	12	78
Equipment	-	168
	1,610	3,323

- (b) Depreciation charge during the year

	Group	
	2021	2020
	\$'000	\$'000
Leasehold buildings	1,503	1,503
Motor vehicles	24	108
Equipment	83	116
	1,610	1,727

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For the financial year ended 31 March 2021

23. Leases (continued)

Nature of the Group's leasing activities – Group as a lessee (continued)

- (c) Interest expense

	Group	
	2021	2020
	\$'000	\$'000
Interest expense on lease liabilities (Note 8)	96	172

- (d) Lease expenses not capitalised in lease liabilities

	Group	
	2021	2020
	\$'000	\$'000
Lease expenses – short-term leases and low value leases	3,517	11,559

- (e) Total cash outflow for all the leases in 2021 was \$5,053,000 (2020: \$13,313,000).
- (f) There was no addition of ROU assets during the financial years ended 31 March 2021 and 2020.
- (g) Total income from subleasing ROU assets was \$990,000 (2020: \$Nil) (Note 7).

Nature of the Group's leasing activities – Group as a lessor

The Group has leased out their owned equipment to third parties for monthly lease payments. These leases are classified as operating leases because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Nature of the Group's leasing activities – Group as an intermediate lessor

The Group acts as an intermediate lessor under arrangements in which it subleases out leasehold land and buildings to third parties for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as operating leases.

Maturity analysis of lease payments – Group as a lessor

No maturity analysis of lease payments to be received by the Group for its leases and sub-leases are presented as there are no ongoing leases as at 31 March 2021 and 2020.

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For the financial year ended 31 March 2021

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	
	2021 \$'000	2020 \$'000	2021 \$'000
Beginning of financial year	748	876	322
Tax credited to profit or loss (Note 9)	(732)	(134)	(322)
Disposal of a subsidiary (Note 16)	(16)	6	-
End of financial year	-	748	322

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.

As at 31 March 2021, the Group has unrecognised tax losses of approximately \$69,029,000 (2020: \$70,408,000) and unrecognised capital allowances of \$3,628,000 (2020: \$4,181,000). 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
2021	
Beginning of financial year	748
Credited to profit or loss	(732)
Disposal of a subsidiary	(16)
End of financial year	-
2020	
Beginning of financial year	933
Credited to profit or loss	(185)
End of financial year	748

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

24. Deferred income taxes (continued)

Group (continued)

Deferred income tax assets

	Fair value adjustments \$'000	Provisions \$'000	Total \$'000
2021			
Beginning and end of financial year	-	-	-
2020			
Beginning of financial year	(6)	(51)	(57)
Charged to profit or loss	-	51	51
Disposal of a subsidiary	6	-	6
End of financial year	-	-	-

Company

Deferred income tax liabilities

	Accelerated tax depreciation \$'000
2021	
Beginning of financial year	322
Credited to profit or loss	(322)
End of financial year	-
2020	
Beginning of financial year	478
Credited to profit or loss	(156)
End of financial year	322

25. Share capital

	Issued share capital			
	Number of shares		Amount	
	2021 '000	2020 '000	2021 \$'000	2020 \$'000
<u>Group and Company</u>				
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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

26. Other reserves (non-distributable)

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
(a) Composition:				
Currency translation reserve (Note(b)(i))	1,957	1,434	-	-
Capital reserve (Note(b)(ii))	(158)	(158)	-	-
Fair value reserve (Note(b)(iii))	(1,782)	(1,770)	(1,782)	(1,770)
	17	(494)	(1,782)	(1,770)
(b) Movements:				
(i) Currency translation reserve				
Beginning of financial year	1,434	1,524	-	-
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	545	(61)	-	-
Less: Non-controlling interest	(22)	(29)	-	-
End of financial year	523	(90)	-	-
	1,957	1,434	-	-
(ii) Capital reserve				
Beginning and end of financial year	(158)	(158)	-	-
(iii) Fair value reserve				
Beginning of financial year	(1,770)	(1,175)	(1,770)	(1,175)
Fair value losses on financial assets at FVOCI (Note 19)	(12)	(595)	(12)	(595)
End of financial year	(1,782)	(1,770)	(1,782)	(1,770)

27. Accumulated losses

Movement in accumulated losses for the Company is as follows:

	Company	
	2021 \$'000	2020 \$'000
Beginning of financial year	(54,885)	(30,809)
Net loss	(3,999)	(24,076)
End of financial year	(58,884)	(54,885)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

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	
	2021 \$'000	2020 \$'000
THB 390,600,000 (2020: THB 390,600,000)	17,075	16,974
SGD 40,050,000 (2020: SGD 40,050,000)	40,050	40,050
	57,125	57,024

29. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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 2021							
Financial assets							
Cash and cash equivalents	8,422	3,477	1,544	6	638	39	14,126
Trade and other receivables	2,726	3,398	272	19	713	40	7,168
Deposits	464	-	3	3	147	-	617
Financial assets, at FVOCI	700	-	-	-	-	-	700
	12,312	6,875	1,819	28	1,498	79	22,611
Financial liabilities							
Borrowings	(23,394)	(3,470)	(37)	-	-	-	(26,901)
Trade and other payables	(30,659)	(5)	(84)	39	(607)	(5)	(31,321)
Lease liabilities	(1,598)	-	(12)	-	-	-	(1,610)
	(55,651)	(3,475)	(133)	39	(607)	(5)	(59,832)
Net financial (liabilities)/assets	(43,339)	3,400	1,686	67	891	74	(37,221)
Add/(less): Net financial liabilities/(assets) denominated in the respective entities functional currencies	43,339	-	(1,670)	(51)	(891)	(24)	40,703
Currency exposure of financial assets net of those denominated in the respective entities functional currencies	-	3,400	16	16	-	50	3,482

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

29. 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 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

29. 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 2021						
Financial assets						
Cash and cash equivalents	8,050	1,118	16	-	13	9,197
Trade and other receivables	3,194	5,533	-	17	756	9,500
Deposits	376	-	-	-	-	376
Financial assets, at FVOCI	700	-	-	-	-	700
	12,320	6,651	16	17	769	19,773
Financial liabilities						
Borrowings	(18,223)	(3,470)	-	-	-	(21,693)
Trade and other payables	(32,690)	(5)	-	(1)	-	(32,696)
Lease liabilities	(1,598)	-	-	-	-	(1,598)
	(52,511)	(3,475)	-	(1)	-	(55,987)
Net financial (liabilities)/assets	(40,191)	3,176	16	16	769	(36,214)
Add: Net financial liabilities denominated in the functional currency		40,191	-	-	-	40,191
Currency exposure		-	3,176	16	769	3,977
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	-	8,413

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD changes against SGD by 5% (2020: 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) →	
	2021	2020
Results after tax	Results after tax	
\$'000	\$'000	
<u>Group</u>		
USD against SGD		
- strengthened	170	284
- weakened	(170)	(284)
<u>Company</u>		
USD against SGD		
- strengthened	159	346
- weakened	(159)	(346)

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% (2020: 10%) with all other variables including tax rate being held constant, the effects on other comprehensive income would have been \$70,000 (2020: \$71,000) 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% (2020: 0.50%) with all other variables including tax rate being held constant, the results after tax would have been lower/higher by \$99,000 (2020: \$101,000) as a result of higher/lower interest expense on these borrowings.

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For the financial year ended 31 March 2021

29. 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 Judicial Managers 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 2021	31 March 2020
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' borrowings	5,037	7,301

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

<u>By geographical areas</u>	Group		Company	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	\$'000	\$'000	\$'000	\$'000
Singapore	5,744	14,964	5,707	17,305
Thailand	221	1,182	-	-
United Arab Emirates	744	3,611	-	-
	6,709	19,757	5,707	17,305

The trade receivables of the Group and of the Company comprise 3 debtors (2020: 3 debtors) and 3 debtors (2020: 3 debtors) respectively that individually represented 10-44% (2020: 16-44%) of trade receivables.

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

<u>By geographical areas</u>	Group		Company	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	\$'000	\$'000	\$'000	\$'000
Singapore	2,968	6,745	2,806	1,723
Thailand	-	1,030	-	-
United Arab Emirates	779	2,229	-	-
	3,747	10,004	2,806	1,723

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For the financial year ended 31 March 2021

29. Financial risk management (continued)

(b) Credit risk (continued)

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Trade receivables</u>				
Balance at 1 April	1,526	994	-	74
Loss allowance recognised in profit or loss	243	976	256	-
Written off	(50)	(358)	(50)	(74)
Disposal of a subsidiary	-	(95)	-	-
Currency translation difference	49	9	-	-
Balance at 31 March	1,768	1,526	206	-
<u>Contract assets</u>				
Balance at 1 April	248	-	-	-
Loss allowance recognised in profit or loss	-	248	-	-
Written off	(248)	-	-	-
Balance at 31 March	-	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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

29. Financial risk management (continued)

(b) Credit risk (continued)

(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.

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 March 2021 and 2020 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 2021:					
Trade receivables	1,188	2,216	1,630	3,443	8,477
Less:					
Loss allowance - credit impaired	-	-	(9)	(1,759)	(1,768)
Loss allowance - expected credit loss	-	-	-	-	-
	1,188	2,216	1,621	1,684*	6,709
Contract assets	3,747	-	-	-	3,747
Less: Loss allowance	-	-	-	-	-
	3,747	-	-	-	3,747
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

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

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29. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Trade receivables and contract assets (continued)

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 2021 and 2020, the Company has assessed that one of its subsidiary no longer has the financial capacity to repay their bank borrowings. Hence the financial guarantee contracts (Note 21) are remeasured in accordance with Note 2.11.

(c) Liquidity risk

The Judicial Managers monitored the cash flow and managed the liquidity risk of the Company by maintaining sufficient cash to ensure that the Company is able to meet its normal operating commitments. 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 12.

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 \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
At 31 March 2021						
Trade and other payables	31,321	-	-	27,696	-	-
Borrowings	26,901	-	-	21,693	-	-
Lease liabilities	831	424	556	777	318	502
Financial guarantee contracts	-	-	-	5,000	-	-
	59,053	424	556	55,166	318	502
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

29. 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
	Net debt	12,775	27,441	12,496
Total deficit	(24,208)	(19,334)	(24,488)	(20,477)
Total capital	(11,433)	8,107	(11,992)	1,188
Gearing ratio	n.m.	n.m.	n.m.	n.m.

* n.m. - not meaningful

The Company is in breach of externally imposed capital requirements for a credit line of \$1,500,000 (2020: \$1,500,000), of which the Company has drawn down an amount of \$75,000 (2020: \$100,000) as at 31 March 2021. As a result, the outstanding balance is presented as a current liability as at 31 March 2021 and 2020.

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 19.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

29. 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 19 to the financial statements, except for the following:

	31 March 2021 \$'000	31 March 2020 \$'000
Group		
Financial assets, at amortised cost	21,911	24,533
Financial liabilities, at amortised cost	59,832	73,711
Company		
Financial assets, at amortised cost	19,073	29,928
Financial liabilities, at amortised cost	55,987	62,737

30. 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 2021 \$'000	2020 \$'000
Purchase of computer equipment from an associated company	-	4
Computer maintenance fees paid to an associated company	218	166

Outstanding balances as at 31 March 2021 and 2020 are set out in Notes 13 and 21(a).

(b) *Key management personnel compensation*

Key management personnel compensation is as follows:

	Group 2021 \$'000	2020 \$'000
Salaries and other short-term employee benefits	1,025	2,513
Employer's contribution to defined contribution plans, including Central Provident Fund	41	59
	1,066	2,572

Included in the above is total compensation to directors of the Company amounting to \$381,000 (2020: \$1,263,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

30. Related party transactions (continued)

(c) Loans to subsidiaries

Loans to subsidiaries (net of allowance for impairment) amounting to \$Nil (2020: \$4,887,000) as set out in Note 13 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 \$3,375,000 (2020: \$6,336,000) as set out in Note 13, are unsecured, interest-free and repayable on demand.

31. Segment information

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

Management considers the business mainly from the following two business segments: (i) Plant construction and maintenance and (ii) Compression and process equipment fabrication. Other services include investment holding but this is not included within the reportable operating segments as it is not included in the reports provided to the management.

The segment information provided to the management team for the reportable segments for the financial years ended 31 March 2021 and 2020 is as follows:

	Plant construction and maintenance \$'000	Compression and process equipment fabrication \$'000	Total \$'000
<u>Group</u>			
2021			
Revenue			
Revenue from external parties	29,519	(127)	29,392
Adjusted EBITDA	3,062	(3,295)	(233)
Depreciation	(4,298)	(8)	(4,306)
Share of profit of associated company	19	-	19
Segment assets	29,393	4,004	33,397
Segment assets include:			
Investment in associated companies	274	-	274
Additions to:			
- Property, plant and equipment	292	-	292
Segment liabilities	(10,736)	(20,806)	(31,542)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

31. Segment information (continued)

<u>Group</u>	Plant construction and maintenance \$'000	Compression and process equipment fabrication \$'000	Total \$'000
2020			
Revenue			
Revenue from external parties	113,682	22,521	136,203
Adjusted EBITDA	(10,883)	(6,967)	(17,850)
Depreciation	(5,495)	(42)	(5,537)
Share of loss of associated company	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)

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") for continuing operations. 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:

	2021 \$'000	2020 \$'000
Adjusted EBITDA for reportable segments	(233)	(17,850)
Depreciation	(4,306)	(5,537)
Finance expense	(1,265)	(1,121)
Interest income	2	1
Loss before tax and discontinued operations	(5,802)	(24,507)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

31. 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 assets associated with disposal group, deferred income tax assets, financial assets, at FVOCI and club memberships.

Segments' assets are reconciled to total assets as follows:

	2021 \$'000	2020 \$'000
Segment assets for reportable segments	33,397	60,120
Assets of disposal group classified as held-for-sale	6,295	–
Financial assets, at FVOCI	700	712
Club memberships	–	253
Total assets	40,392	61,085

(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 liabilities associated with disposal group, current and deferred income tax liabilities, borrowings and lease liabilities.

Segments' liabilities are reconciled to total liabilities as follows:

	2021 \$'000	2020 \$'000
Segment liabilities	31,542	47,140
Borrowings	26,901	29,326
Lease liabilities	1,610	3,178
Liabilities directly associated with disposal group classified as held-for-sale	4,171	–
Current income tax liabilities	376	27
Deferred income tax liabilities	–	748
Total liabilities	64,600	80,419

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

31. 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.

	2021 \$'000	2020 \$'000
<u>Revenue</u>		
Singapore	22,481	74,965
Malaysia	733	9,983
Thailand	2,073	13,817
Vietnam	7	187
United Arab Emirates	3,577	20,041
Other countries	521	17,210
	29,392	136,203
 <u>Non-current assets</u>		
Singapore	6,683	10,234
Thailand	-	9,716
United Arab Emirates	185	3,436
Other countries	401	419
	7,269	23,805

Revenues of \$19,801,000 (2020: \$73,120,000) are derived from 4 (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

31. Segment information (continued)

(c) Geographical information (continued)

	2021 \$'000	2020 \$'000
Customer A	8,047	13,647
Customer B	4,299	21,073
Customer C	3,882	25,959
Customer D	3,573	12,441
	19,801	73,120

32. New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for accounting periods beginning on or after 1 April 2021. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions except for the interest rate benchmark reform. The Group has certain payable balances as disclosed in Note 22 that have interest rates referenced to inter-bank offered rates ("IBORs") that will be affected by the IBOR reform. The Group is currently assessing the impact of the IBOR reform.

33. 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 2 June 2021, the Company entered into a conditional share purchase agreement to dispose its entire 80% interest in Hiap Seng Engineering Limited FZC ("HSFZC") to the other existing shareholder at a consideration of AED 2.7 million. The fair value of the Group's share of the identifiable net assets of HSFZC at the date of divestment had 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 \$23,000.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

33. Events occurring after balance sheet date (continued)

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 23 March 2022, the Company's subsidiary, Hiap Seng Engineering (Thailand) Co Ltd ("HSET") was placed under voluntary liquidation.

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.

34. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2021

35. Listing of companies in the Group

Name of companies	Principal activities	Country of business/ incorporation	Equity holding			
			Company		Subsidiary	
			2021 %	2020 %	2021 %	2020 %
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	-	-
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	93	-	-
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	-	-
Hiap Seng Saudi Engineering Ltd	Provision of engineering services and plant maintenance	Saudi Arabia	100	100	-	-
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

CORPORATE GOVERNANCE REPORT

Hiap Seng Engineering Ltd (Judicial Managers Appointed) (the "Company") is committed to achieving a high standard of corporate governance within the Group and to putting in place effective self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

The Group was facing cash flow difficulties during the year and the Directors' focus was solely on the survivability of the Group. As the Board was unable to conclude if the Group can operate as a going concern, the Directors requested an immediate suspension of trading on 28 November 2019. The Company also engaged a financial consultant to undertake a financial position review and viability assessment of the Group.

The High Court of Singapore has on 15 September 2020 granted the application from the Company and its subsidiary, HS Compression & Process Pte Ltd ("HSCP") ("JM Applications") and made, amongst others, the following orders:

- (a) the Company and HSCP be placed under judicial management pursuant to Section 227B and the provisions of Part VIIIA of the Companies Act;
- (b) Ms. Oon Su Sun and Mr. Lin Yueh Hung, care of RSM Corporate Advisory Pte. Ltd., 8 Wilkie Road, #03- 08, Wilkie Edge, Singapore 228095, be appointed as joint and several judicial managers of the Company and HSCP (the "Judicial Managers"); and
- (c) the affairs, business and property of the Company and HSCP be managed by the Judicial Managers herein appointed in order to achieve one or more of the following purposes:
 - (i) the survival of the Company and HSCP, or the whole or part of their undertakings as going concerns;
 - (ii) a more advantageous realisation of the Company's and HSCP's assets than would be effected on a winding up; or
 - (iii) the approval under Section 210 or 211I of the Companies Act of a compromise or arrangement between the Company, HSCP and any such persons as are mentioned in those sections.

Following the Judicial Management Order on 15 September 2020 ("JMO"), the Judicial Managers is appointed to manage the affairs and business of the Company, displacing the Board.

The Company has generally complied with the principles and recommendations of the Code of Corporate Governance 2018 (the "Code") for the financial year ended 31 March 2020 ("FY2020") and for 31 March 2021 ("FY2021") which relates to the period prior to the JMO, from 1 April 2020 to 14 September 2020.

BOARD OF DIRECTORS (Code of Corporate Governance Principles 1, 2 and 3)

The Board's primary role is to protect shareholders' interests and enhance long-term shareholders' value. It sets the overall strategy for the Company and its subsidiaries (the "Group") and supervises the management. To fulfill this role, the Board is responsible for setting the strategic direction for the Group, establishing goals for management and monitoring the achievement of these goals.

Apart from its statutory responsibilities, the Board's principal functions include the following:

- (i) approve annual reports, periodic financial announcements and accounts;
- (ii) ensure management leadership of high quality, effectiveness and integrity;
- (iii) appoint key personnel;
- (iv) review financial performance and implement financial policies which incorporate risk management, internal controls and reporting compliance;

CORPORATE GOVERNANCE REPORT

- (v) assume responsibility for corporate governance framework of the Company;
- (vi) identify the key stakeholder groups;
- (vii) establish the Company's values and standards; and
- (viii) consider sustainability issues such as economic, social and governance factors as part of the Company's strategic formulation.

Director Orientation and Training

The Directors will receive relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Directors will also be updated on the business of the Group through regular presentations and meetings. The Company will conduct comprehensive and tailor induction for incoming directors on joining the Board. Induction and orientation will be provided to new and existing directors. The Company will also arrange for new Director with no prior experience of serving as a director in a listed company to attend appropriate courses, conferences or seminars, including programmes or courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry-specific knowledge. All expenses in relation to the trainings are at the expenses of the Company. A formal letter of appointment is furnished to any newly appointed directors, upon his appointment during the financial year, explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

There was no new director appointed in FY2020 and FY2021.

Matters Requiring Board Approval

The Company has adopted internal guidelines governing matters that require the Board's approval. The Board Authority Matrix forms a guideline and provides clear directions on matters requiring Board's approval which include:

- Issuance of shares
- Major investments
- Material acquisitions and disposal of assets
- Major corporate or financial restructurings
- Major divestment or capital expenditure
- Material legal suits and or claims
- Announcement of the Company's quarterly and full-year results and the release of the Annual Reports.

Board Processes

To facilitate effective management, certain functions have been delegated to various Board Committees namely, the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"), each of which has its own written terms of reference.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Independent and Executive Directors constructively challenge, review and discuss key issues and assist in develop proposals on strategy, as well as review the performance of management in meeting identified goals and monitor the reporting of performance. The Independent and Executive Directors meet quarterly without the presence of Management to discuss the affairs of the Company. All Directors take decisions objectively in the interests of the Company.

CORPORATE GOVERNANCE REPORT

Access to information

The Board is accountable to the shareholders and the Management is accountable to the Board. To assist the Board in fulfilling its responsibilities, the Board will be provided quarterly or when the Board or Board committees requested, with copies of disclosure documents, budgets, forecasts and monthly internal financial statements and any material variance between the projects and actual results, containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision making process.

All Directors have separate and independent access to Key Management Personnel and to the Company Secretaries. The Company Secretaries administer, attend and prepare minutes of Board and Board Committee meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with. The appointment and the removal of the Company Secretaries is a matter for the Board as a whole.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Attendance Report of Directors

The Board meets on quarterly basis to approve the quarterly results announcement under the risk-based approach to quarterly reporting introduced by SGX RegCo. Additional meetings were held whenever necessary. The Company's Constitution allow a Board meeting to be conducted by way of telephone conferencing or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other, provided that the requisite quorum is present.

The number of Board and Board Committees meetings held in FY2020 and FY2021, as well as the attendance of every Board member at those meetings are as follows:

Name & Attendance of Directors in FY2020	Board	Audit Committee ("AC")	Nominating Committee ("NC")	Remuneration Committee ("RC")
No. of Meetings held:	7	5	1	1
Tan Ah Lam (Non-Executive Chairman)	7	NM	1	NM
Tan Leau Kuee @ Tan Chow Kuee (Chief Executive Officer and Executive Director)	6	NM	NM	NM
Tan Lian Chew (Non-Executive Director)	7	NM	NM	NM
Dr. John Chen Seow Phun (Lead Independent Director who became non-independent from 1 January 2022)	7	5	NM	1
Koh Kim Wah (Independent Director who became non-independent from 1 January 2022)	7	5	1	1
M. Rajaram (Independent Director who became non-independent from 1 January 2022)	7	5	1	1

CORPORATE GOVERNANCE REPORT

Name & Attendance of Directors in FY2021	Board	Audit Committee ("AC")	Nominating Committee ("NC")	Remuneration Committee ("RC")
No. of Meetings held:	1	2	-	-
Tan Ah Lam (Non-Executive Chairman)	1	NM	-	NM
Tan Leau Kuee @ Tan Chow Kuee (Chief Executive Officer and Executive Director)	1	NM	NM	NM
Tan Lian Chew (Non-Executive Director)	1	NM	NM	NM
Dr. John Chen Seow Phun (Lead Independent Director who became non-independent from 1 January 2022)	1	2	NM	-
Koh Kim Wah (Independent Director who became non-independent from 1 January 2022)	1	2	-	-
M. Rajaram (Independent Director who became non-independent from 1 January 2022)	1	2	-	-

NM: Not a Member of the Committee

Board Composition and Guidance

The Board comprises six Directors, three of whom are Independent Non-Executive Directors. With three out of six members of the Board being independent, the Company maintains a satisfactory independent element on the Board. The Board, taking into account the nature of operations of the Company, considers its current size to be adequate for effective decision making. Following the Implementation of Rule 210(5)(d)(iii), effective 1 January 2022, the three Independent Directors became non-Independent.

On 1 October 2020, Mr Tan Ah Lam and Mr Tan Lian Chew resigned from the executive position. The executive and non-executive Directors of the Company as at the date of this report are:-

Mr Tan Ah Lam, Frankie	Non-Executive Chairman
Mr Tan Leau Kuee @ Tan Chow Kuee, Richard	Executive Director
Mr Tan Lian Chew	Non-Executive Director
Dr John Chen Seow Phun	Non-Executive Director
Mr Koh Kim Wah	Non-Executive Director
Mr M. Rajaram	Non-Executive Director

Of the six Directors, two have specialised training. Mr M. Rajaram is a renowned lawyer in the legal sector and Mr Tan Lian Chew has vast number of years of experience in the finance, corporate and tax services sectors. The remaining Directors each have 35-45 years of industry experience. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 5 to 7 of the Annual Report.

The Company does not have a written policy with regards to diversity in identifying director nominees. The Board exercises diversity practices through the effective blend of competencies and extensive experiences of Directors that enables decisions to be made in the best interest of the Company. It will consider the benefits of all aspects of diversity, including of skills, experience, background, gender, age, ethnicity and other relevant factors.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The Board subscribes to the principles set out in the Code on the separation of the roles of the Chairman and the Chief Executive Officer ("CEO"). The roles and responsibilities of the Chairman and CEO in the Company are distinct and separate. This is to ensure appropriate balance of power and authority, accountability and decision making.

The Chairman, Mr Tan Ah Lam is responsible for leading the Board and facilitating its effectiveness, ensuring the Board members are provided with accurate, timely and clear information and approves the agenda of each Board Meeting. He monitors communications between the Company and its shareholders, between Board and Management and between independent and non-independent directors with a view to encourage constructive relation and dialogue between them.

Mr Tan Leau Kuee @ Tan Chow Kuee is the CEO and brother of the Chairman. He is responsible for overseeing the overall management and strategic operations of the Group. He bears executive responsibility for the Company's business, is instrumental in growing the business of the Company and for the working of the Board. As CEO, he provides strong leadership and is overall in-charge of the Management and strategic operations of the Company.

Although the Chairman and the CEO are immediate family members, the Board is able to make decisions in the best interests of the Company as the independent directors (who became non-independent from 1 January 2022) and executive director make up a majority of the Board. The Board is satisfied that the existing Board with Executive Director involved in management and Independent Directors exercising oversight function contributes to diversity of thought for strategic discussions. The Company believes that there is a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process. In addition, the independent directors (who became non-independent from 1 January 2022) have demonstrated their commitment in their roles and are expected to act in good faith and in the best interest of the Company. The AC, NC and RC are chaired by independent directors (who became non-independent from 1 January 2022). The Board keeps this situation under regular review and will make suitable recommendations should the circumstances change.

Chairman and CEO

Based on the Code, it is recommended that each company shall appoint an independent director to be the Lead Independent Director where the Chairman and CEO are the same person, the Chairman and CEO are immediate family members, the Chairman is part of the management team and/or the Chairman is not an independent director. In consonance with the Company's commitment to the Code, Dr John Chen Seow Phun has been appointed as the Lead Independent Director of the Company (who became non-independent from 1 January 2022). The Lead Independent Director provides leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

Independence of Director who have served on the Board beyond Nine (9) Years

With effect from 1 January 2022, a Director will not be independent, pursuant to Rule 210(5)(d)(iii) of the Listing Manual, if he has served for an aggregate of more than nine (9) years and his continued appointment as an Independent Director has not been sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the Directors and chief executive officer of the issuer, and associates of such Directors and chief executive officer (the "Two-Tier Voting"). Such resolutions approved by a Two-Tier Voting may remain in force for three years from the conclusion of the annual general meeting following the passing of the resolutions or the retirement or resignation of the Director, whichever the earlier.

Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram were appointed as Independent Directors and have served the Board for more than nine (9) years. They are considered non-independent directors effective 1 January 2022 pursuant to Rule 210(5)(d)(iii). Shareholders' approval is being sought at the forthcoming AGM for continued appointment of Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram as Independent Directors through a Two-Tier Voting process for purposes of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST.

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In reviewing the continued appointment, the Board has considered the current business environment, and imperative to have Directors who understand the business to be able to interact and work with Management continually through robust exchange of ideas and views presenting constructive feedback. This would facilitate strategic dialogues and decision-making for generating long-term values to various stakeholders.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board will take some time and cannot happen overnight in order to maintain stability to the Board. Furthermore, the Company benefits from such director who has, over time, gained valuable insights into the Group, its market and the industry.

The Board after due and careful rigorous review, has determined that Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram remain objective and independent-minded in their exercise of judgement and objectivity in Board matters. Their vast experience enables them to provide the Board and the various Board Committees on which he serves, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgement nor hinder their ability to act in the best interest of the Company. More importantly, the Board trusts that they are able to continue to discharge their duties independently with integrity and competency.

Board Membership

NOMINATING COMMITTEE (Code of Corporate Governance Principles 4 and 5)

The current members of the NC are:

Mr M. Rajaram (Chairman)
Mr Tan Ah Lam
Mr Koh Kim Wah

Mr M. Rajaram and Mr Koh Kim Wah are independent directors (who became non-independent from 1 January 2022) and are not associated with the substantial shareholders of the Company.

The Board has approved the written terms of reference of the NC. The functions of the NC among others, include the following:

- a) Review and make recommendations to the Board on all candidates nominated for appointment to the Board;
- b) Review and make recommendations to the Board on all new employment of related persons and Key Management Personnel and the proposed terms of their employment;
- c) Review training and professional development programme for the Board;
- d) Procure that at least one-third of the Board shall comprise independent Directors (or such other minimum proportion and criteria as may be specified in the Code from time to time);
- e) Identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including independent Directors;
- f) Conduct vigorous review of the independence of any Director who had served on the Board beyond nine (9) years from the date of his appointment, and the Board should explain why any such Director should be considered independent;
- g) Determine whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors);

CORPORATE GOVERNANCE REPORT

- h) Propose a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board;
- i) Decide if a Director is able to and has carried out his duties adequately as a Director of the Company, taking into consideration the Director's number of listed company board representatives and other principal commitments; and
- j) Put in place plans for succession, in particular, the Chairman of the Board and the CEO.

The NC met once in FY2020 prior to suspension of trading on 28 November 2019 and performed functions set out above. Prior to the JMO, the NC did not meet in FY2021.

In search and nomination process for new directors, the NC identifies the key attributes that an incoming director should have, which is based on a matrix of the attributes of the existing Board and the requirement of the Group. After the Board endorsed the key attributes, the NC taps on the resources of the directors' personal contacts and recommendations of potential candidates, and proceed with the shortlisting process. If the candidates identified from this process are not suitable, executive recruitment agencies may be appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached.

The Company's Constitution require one-third of its Directors, other than the Managing Director, to retire by rotation and subject themselves for re-election by shareholders at every AGM. No Director shall stay in office for more than three years without being re-elected by shareholders. A retiring Director is eligible for re-election.

The dates of initial appointment, last re-election/ re-appointment and other directorships of each of the Directors are set out below:

Director	Position	Date of Initial Appointment	Date of Last Re-Election	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Tan Ah Lam	Non-Executive Chairman	31 March 1972	27 July 2018	Member of Nominating Committee	<u>Present</u> NIL <u>Past three years</u> NIL
Tan Leau Kuee @ Tan Chow Kuee	Executive Director and CEO	24 September 1990	28 July 2017	-	<u>Present</u> NIL <u>Past three years</u> NIL
Tan Lian Chew	Non-Executive Director	22 November 1983	27 July 2018	-	<u>Present</u> NIL <u>Past three years</u> NIL

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Director	Position	Date of Initial Appointment	Date of Last Re-Election	Membership of Board Committee	Directorship/Chairmanship both present and those held over the preceding three years in other listed company
Dr John Chen Seow Phun	Lead Independent Director (who became non-independent from 1 January 2022)	18 September 2002	28 July 2017	Chairman of Audit Committee Member of Remuneration Committee	<u>Present</u> 1. OKP Holdings Limited 2. Hanwell Holdings Ltd 3. Matex International Limited 4. Tat Seng Packaging Group Ltd 5. Sinostar Pec Holdings Ltd 6. Pavilion Holdings Ltd <u>Past three years</u> 7. Fu Yu Corporation Limited 8. Hong Lai Huat Group Limited
Koh Kim Wah	Independent Director (who became non-independent from 1 January 2022)	28 July 2005	30 August 2019	Chairman of Remuneration Committee Member of Audit Committee and a member of Nominating Committee	<u>Present</u> NIL <u>Past three years</u> NIL
M Rajaram	Independent Director (who became non-independent from 1 January 2022)	28 July 2005	30 August 2019	Chairman of Nominating Committee Member of Audit Committee and a member of Remuneration Committee	<u>Present</u> 1. <u>Global Palm Resources Holdings Ltd</u> <u>Past three years</u> NIL

Although the Independent Directors (who became non-independent from 1 January 2022) hold directorship in other companies which are not within the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective. The Board does not prescribe a maximum limit on the number of listed company representations a Director may hold, as the Board believes that a Director can only determine by himself the number of board representations he can manage and the more appropriate measure is the ability of such Director.

The Independent Directors (who became non-independent from 1 January 2022) have confirmed that they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers including any relationships and circumstances that could interfere, or be reasonably perceived to interfere, with the existence of independent judgment in carrying out the functions as Independent Directors. Annually, each Independent Director is required to complete the Director's Independence confirmation checklist in their assessment of independence.

CORPORATE GOVERNANCE REPORT

The NC affirmed that Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram are independent but they became non-independent from 1 January 2022. Each Independent Director has abstained from deliberating in respect of their independence status respectively.

The Board recognises that the Independent Directors may over time develop significant insights into the Group's business and operations, and can continue to objectively provide significant and valuable contributions to the Board as a whole. Where there are such Directors serving as an Independent Director for beyond nine years from their first appointment, the Board will do a rigorous review of their continuing contribution, character, background and independence.

The NC considered that Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram continued to demonstrate a strong spirit of professionalism, independence of conduct at the Board and Board Committee meetings. They have been consistent and diligent in discharging their duties and exercise sound independent business judgment in the deliberation for the best interest of the Company and objectivity which did not diminish over time. The length of their services on the Board didn't affect their independence from the Management and the Board as they continue to express their independent views and debate the issues in the Meetings.

In view of the above, the NC confirms that Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram continue to be independent notwithstanding each of them having served beyond nine years. However, Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram became non-independent from 1 January 2022 pursuant to Rule 210(5) (d)(iii) of the Listing Manual.

The Directors retiring by rotation pursuant to Article 91 of the Company's Constitution at the forthcoming AGM are Mr Tan Leau Kuee and Dr John Chen Seow Phun.

The NC recommended to the Board that Mr Tan Leau Kuee and Dr John Chen Seow Phun be nominated for re-election as Directors of the Company at the forthcoming AGM.

In making the recommendation, the NC evaluates such Director's competency, commitment, contribution and performance, such as his attendance at meetings of the Board and Board Committees, where applicable, participation, candour and any special contributions.

There is no alternate Director on the Board.

Board Performance

The assessment process adopted both quantitative and qualitative criteria, such as return on equity, the success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring the Management's performance against the goals that had been set by the Board.

The NC is to evaluate the contribution of each Director to the effectiveness of the Board by having the Directors complete a questionnaire which the findings would be analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The Chairman will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of directors may be sought. No external facilitator was used in FY2020 and FY2021.

The NC, in assessing the contribution of each director, would consider his attendance and participation at Board and Board Committees Meetings, his qualification, experience and expertise and the time and effort dedicated to the Group's business and affairs including management's access to the directors for guidance or exchange of views as and when necessary.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

(Code of Corporate Governance Principles 6, 7 and 8)

The current members of the RC comprise entirely of Non-Executive Directors. All of them including the Chairman, are independent. The members of the RC are:

Mr Koh Kim Wah (Chairman)

Mr M. Rajaram

Dr John Chen Seow Phun

The Board has approved the written terms of reference of the RC. The functions of the RC, among others, include the following:

- a) Recommend to the Board a framework of remuneration for the Board and the Key Management Personnel of the Group covering all aspects of remuneration such as Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;
- b) Propose to the Board, appropriate and meaningful measures for assessing the executive Directors' performance;
- c) Determine the specific remuneration package for each executive Director;
- d) Consider the eligibility of Directors for benefits under long-term incentive schemes;
- e) Consider and recommend to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and Key Management Personnel of the Company to those required by law or by the Code; and
- f) Determine the specific remuneration package (including the base/fixed salary, allowances, bonuses, benefits-in-kind and performance-related incentives) for each executive Director and the CEO of the Company (or executive of similar rank) if he is not an executive Director.

The RC met once in FY2020 prior to suspension of trading on 28 November 2019 and performed functions set out above. Prior to the JMO, the RC did not meet in FY2021.

In carrying out the above, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice will be borne by the Company. No external remuneration consultant was used in FY2020 and FY2021.

The Company has no share-based compensation schemes or any long-term scheme involving the offer of shares or option in places.

Level and Mix of Remuneration

In setting remuneration packages for Directors and Key Management Personnel of the Company, the pay and employment conditions within the industry and in comparable companies are taken into consideration. The RC seeks to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate Directors and Key Management Personnel. The RC also ensures that the remuneration policies support the company's objectives and strategies. The remuneration policy for key executives follows the guidelines laid down by the National Wages Council and also meeting key performance indicators (KPIs) for variable payment of performance bonus. These KPIs would include achieving targeted Group's profitability, project management capabilities, timely completion of projects, targeted profit margins and safety standards set by customers. Further, the Company's performance, the responsibility and performance of the individual key executive are taken into consideration. The RC recommends the remuneration packages of key executives for the Board's approval.

All members of RC have abstained from deciding on its own remuneration.

CORPORATE GOVERNANCE REPORT

In preparation for the extent of termination of executive directors' and key management personnel's contract of service, the RC reviews such contracts of services and institutes safeguards for fair and reasonable termination clauses which are not overly generous.

Disclosure On Remuneration

Remuneration and Benefits of Directors and Top Five Key Management Personnel

The following table shows a breakdown of the remuneration of Directors/CEO for FY2020 and FY2021:

Directors/CEO	Remuneration and Benefits in FY2020					
	Total Remuneration \$'000	Base Salary ^(a) %	Variable Payment ^(b) %	Other Benefits ^(c) %	Directors' Fees ^(d) %	Total %
Tan Leau Kuee @ Tan Chow Kuee	476	78	-	22	-	100
Tan Ah Lam	432	90	-	10	-	100
Tan Lian Chew	154	100	-	-	-	100
Dr. John Chen Seow Phun	79	-	-	-	100	100
M. Rajaram	61	-	-	-	100	100
Koh Kim Wah	61	-	-	-	100	100

Directors/CEO	Remuneration and Benefits in FY2021					
	Total Remuneration \$'000	Base Salary ^(a) %	Variable Payment ^(b) %	Other Benefits ^(c) %	Directors' Fees ^(d) %	Total %
Tan Leau Kuee @ Tan Chow Kuee	226	97	-	3	-	100
Tan Ah Lam	34	96	-	4	-	100
Tan Lian Chew	35	100	-	-	-	100
Dr. John Chen Seow Phun	34	-	-	-	100	100
M. Rajaram	26	-	-	-	100	100
Koh Kim Wah	26	-	-	-	100	100

(a) Base Salary includes fixed allowance, contractual bonus and employer's CPF contribution.

(b) Variable Payment includes performance bonus and non-contractual bonus.

(c) Other Benefits refer to benefit-in-kind such as club and car benefits.

(d) Independent Directors are paid Directors' fees inclusive of attendance fees, subject to approval at the AGM.

Both Mr Tan Ah Lam and Mr Tan Leau Kuee @ Tan Chow Kuee have service contracts with the Company. Their compensations consist of salary, bonus, and performance awards that are dependent on the performance of the Group. The performance-related awards form a significant portion of their compensation. Mr Tan Lian Chew's compensation consists of salary and bonus. He resigned from his executive position of the Company with effect from 1 October 2020. Mr Tan Ah Lam, Mr Tan Leau Kuee and Mr Tan Lian Chew do not receive Directors' fees.

CORPORATE GOVERNANCE REPORT

The Independent Directors do not have any service contracts with the Company. The Independent Directors receive directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent, as well as the responsibilities and obligations of the Directors. The compensation should be appropriate and not exceed to the extent that the independence could be compromised. The RC would consider, if necessary, implementing schemes to encourage non-executive directors to hold shares in the Company so as to align the interests of such non-executive directors with the interests of the shareholders. The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

Directors' fees for FY2020 and FY2021 are recommended by the Board for approval at the Company's AGM.

The annual remuneration of top five Key Management Personnel for FY2020 and FY2021 is as follows:

Key Management Personnel	Annual Remuneration in FY2020			
	Base Salary ^(a) %	Variable Payment ^(b) %	Other Benefits ^(c) %	Total %
S\$250,000 to S\$499,999				
Tan Yew Kun (note 1)	83	–	17	100
Tan Yaw Song (note 2)	99	–	1	100
Below S\$250,000				
Tan Hak Jin (note 3)	100	–	–	100
Lim Chin Boo Paul	100	–	–	100
Tan Puay Chye Leon	100	–	–	100
Key Management Personnel	Annual Remuneration in FY2021			
	Base Salary ^(a) %	Variable Payment ^(b) %	Other Benefits ^(c) %	Total %
Below S\$250,000				
Tan Yew Kun (note 1)	98	–	2	100
Tan Yaw Song (note 2)	100	–	–	100
Tan Hak Jin (note 3)	100	–	–	100
Lim Chin Boo Paul	100	–	–	100
Tan Puay Chye Leon	100	–	–	100

Notes:

- 1) Tan Yew Kun is also a Director of the Company's subsidiary, Asia Process Industries Pte Ltd.
- 2) Tan Yaw Song is also a Director of the Company's subsidiary, Hiap Seng Engineering (Thailand) Co. Ltd.
- 3) Tan Hak Jin is also a Director of the Company's subsidiaries, Hiap Seng Engineering (Thailand) Co. Ltd, Hiap Seng Engineering (M) Sdn Bhd and Hiap Seng Engineering (Shanghai) Co. Ltd..

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The aggregate amount of the remuneration paid to the abovementioned Key Management Personnel in FY2020 and FY2021 is S\$1,308,000 and S\$686,000 respectively. Remuneration of Key Management Personnel was disclosed in bands of S\$250,000 to maintain confidentiality of remuneration matters, given the competitive conditions in the industry and poaching of employees from within the same industry. Instead, the Company is disclosing the remuneration of each Director in the nearest thousand dollars and Key Management Personnel in bands of S\$250,000 up to S\$499,999. The aggregate amount of the remuneration paid to the Directors and top five (5) Key Management Personnel in FY2020 and FY2021 was approximately S\$2,572,000 and S\$1,066,000 respectively.

Remuneration of employees related to directors or substantial shareholders

Apart from Messrs Tan Ah Lam and Tan Leau Kuee @ Tan Chow Kuee, there are 7 other employees of the Group who are shareholders of or related to the shareholders of Tan Kuay Hoe Holdings Pte Ltd, a substantial shareholder of the Company. The aggregate remuneration of such employees (excluding remuneration for Messrs Tan Ah Lam and Tan Leau Kuee @Tan Chow Kuee) in FY2020 and FY2021 was approximately S\$1,322,000 and S\$790,000 respectively.

The remuneration of Executive Directors of the Company and all employees of the Group who are related to any of the Directors or substantial shareholders of the Company will be reviewed annually by the RC of the Company.

The number of employees who are immediate family members of a Director, and whose remuneration exceed S\$100,000 during FY2020 and FY2021 in bands no wider than S\$100,000, are as follows:

Immediate family members	Relationship with director or CEO	Remuneration in FY2020			Total %
		Base Salary ^(a) %	Variable Payment ^(b) %	Other Benefits ^(c) %	
\$300,000 to S\$399,999					
Tan Yew Kun	Brother of Tan Ah Lam and Tan Leau Kuee	83	-	17	100
Tan Yaw Song	Brother of Tan Ah Lam and Tan Leau Kuee	99	-	1	100
S\$200,000 to S\$299,999					
None					
S\$100,000 to S\$199,999					
Tan Yeow Lan	Sister of Tan Ah Lam and Tan Leau Kuee	100	-	-	100
Tan Biby Valarie	Daughter of Tan Leau Kuee	100	-	-	100
Immediate family members	Relationship with director or CEO	Remuneration in FY2021			Total %
		Base Salary ^(a) %	Variable Payment ^(b) %	Other Benefits ^(c) %	
S\$100,000 to S\$199,999					
Tan Yew Kun	Brother of Tan Ah Lam and Tan Leau Kuee	98	-	2	100
Tan Yaw Song	Brother of Tan Ah Lam and Tan Leau Kuee	100	-	-	100

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (Code of Corporate Governance Principle 9)

The Board is responsible for the governance of risk and is fully aware of the need to put in place a sound system of the risk management and internal controls to safeguard the Shareholders' interests and the Group's assets. On an annual basis, the internal audit function prepares the internal audit plan taking into consideration the risks identified which is approved by the AC and the audits are conducted to assess the adequacy and the effectiveness of the Group's internal control system put in place, including financial, operational, compliance, information technology controls and risk management systems. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC.

The Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

The Board has established a separate Risk Management Work Team to assist in carrying out its responsibility of overseeing the Company's risk management framework and policies. The Risk Management Work Team would determine the Group's levels of risk tolerance and risk policies, and oversees the Management in the design implementation and monitoring of the risk management and internal control systems. The Board would also monitor the Group's risks through the work performed by the AC, Risk Management Work Team, internal auditors and external auditors.

During FY2020 and FY2021, the AC had reviewed the existing internal control systems, work performed by the external auditors and reviews performed by the Management, is not aware of any issue causing it to believe that the system of internal controls as inadequate and the same was reported to the Board. Based on the abovementioned review, the Board with the concurrence of the AC is of the opinion that there are adequate and effective risk management and internal controls systems in the Company in addressing financial, operational, compliance and information technology controls.

The Board regularly reviews the effectiveness of all internal controls, including operational controls.

RISK MANAGEMENT (Listing Manual Rule 1207(4)(b)(iv))

The Management regularly reviews the Group's business and operational activities to identify areas of potential business risk as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control procedures and will highlight any significant potential matters to the AC and the Board.

The Board has received assurance from the CEO and the Chief Financial Officer ("CFO") that the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including material financial operational, compliance and information technology risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

Due to the financial difficulties faced by the Group, the Company did not engage any external internal auditors as the main focus was on the survivability of the Group. Despite the absence of external internal auditors, the Group had appointed several staff for the purposes of monitoring and reviewing to ensure compliance with the Group's policies, internal control and risk management. The Board also regularly reviews the effectiveness of all internal controls, including operational controls.

Upon the resumption of trading of its shares, the Company fully intends to engage external internal auditors for the purposes of reviewing the effectiveness of the Company's material internal controls.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE ("AC") (Code of Corporate Governance Principle 10)

The current members of the AC comprise entirely of Non-Executive Directors. All of them including the Chairman, are independent. The members of the AC are:

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

The Board is of the view that the members of the AC are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

The Board has approved the written terms of reference of the AC. The functions of the AC, among others, include the following:

- a) Review with external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to Management and their audit report;
- b) Review and report to the Board at least annually the adequacy and effectiveness of the Company's internal control, including financial, operational, compliance and information technology controls and risk management policies and system established by the Management at least once a year;
- c) Review the Group's financial results and the announcements before submission to the Board for approval;
- d) Review the assistance given by Management to external and internal auditors;
- e) Review significant findings of internal investigations;
- f) Review the scope, results and cost effectiveness of the external audit and the independence and objectivity of the external auditors;
- g) Consider the appointment/re-appointment of the external auditors;
- h) Review interested person transactions;
- i) Other functions as required by law or the Code; and
- j) Meet the internal and external auditors without the presence of Management at least once a year.

The AC meets quarterly and also holds informal meetings and discussions with the Management from time to time. The AC has full discretion to invite any Director or executive officer to attend its meetings.

During FY2020 and FY2021, the AC performed the functions set out above.

The AC has been given full access to and is provided with the co-operation of the Company's Management and authority to investigate any matter within its terms of reference. In addition, the AC has independent access to both internal and external auditors. The AC meets with the internal and external auditors without the presence of Management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC is kept abreast by the Management of changes to accounting standards, the SGX-ST Listing Rules and other regulations which could have an impact to the Group's business and financial statements.

No former partner or Director of the Company's existing auditing firm or audit corporation is a member of the AC.

CORPORATE GOVERNANCE REPORT

The Board was unable to conclude if the Group can operate as a going concern which led the Board to request an immediate suspension of trading on 28 November 2019. Taking into account the financial situation of the Group at that time, the Company decided to put the external audit for FY2020 and FY2021 on hold, till recently for the purposes of the Company resuming trading.

The AC having reviewed the independence and objectivity of the external auditors, is satisfied with the independence and objectivity of the external auditors. The audit fee and non-audit fee paid to the external auditor, Messrs PricewaterhouseCoopers LLP ("PWC") for FY2020 and FY2021 as follow:

	Audit fee (\$\$)	Non-audit fee (\$\$)
FY2020	445,000	6,000
FY2021	341,000	nil

The AC is also satisfied that the external auditor, PWC is able to meet the audit obligations of the Company and is pleased to recommend to the Board of Directors, the nomination of PWC for re-appointment at the forthcoming AGM.

The Group has appointed different auditors for its overseas subsidiaries and associated companies as well as Singapore incorporated associated companies. The Board and the AC are satisfied that the appointments would not compromise the standard and effectiveness of the audit of the Group.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with the Listing Rules 712, 715 and 716 of the Listing Manual.

Fraud and Whistle-Blowing Policy

The AC has established a whistle blowing policy to provide persons employed by the Group with a confidential and independent channel to report any suspicions of fraud and non-compliance with regulations and Company policies, to the appropriate authority for resolution, without any prejudicial implications to these employees. The AC is vested with the power and authority to receive, investigate and enforce appropriate action when any such suspicion is brought to its attention and also responsible for oversight and monitoring of whistle blowing. The whistle blowing policy ensures the identity of whistleblower is kept confidential and is committed to ensure protection of whistleblower against detrimental or unfair treatment.

During FY2020 and FY2021, there was no material whistle-blowing report received by the AC regarding the abovementioned concerns.

In addition, the AC has established a fraud risk management policy to facilitate the development of controls aimed to prevent, detect and respond to fraud against the Group.

SHAREHOLDER RIGHTS AND ENGAGEMENT (Code of Corporate Governance Principles 11, 12 and 13)

The Board aims to provide the shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects.

In line with the Listing Manual of SGX-ST, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial years under review, the Executive Chairman, CEO and CFO have provided assurance to the Board on the integrity of the Group's financial statements respectively.

Further, the Company has procured undertakings in the format set out in Appendix 7.7 from all its Directors and executive officers pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

CORPORATE GOVERNANCE REPORT

The Board reviews and approves the financial results as well as any announcements before its release. In presenting the annual financial statements and quarterly announcements to shareholders, the Board aims to provide to the shareholders with analysis and a balanced and understanding assessment of the Company's performance, position and prospects.

The Company recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis in order that it may effectively discharge its duties.

The Company does not practise selective disclosure. Information is disseminated via SGXNET, news releases and the Company's website. The Company ensures that price-sensitive information is publicly released, and is announced on an immediate basis where required under the Listing Manual of the SGX-ST. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information.

All shareholders of the Company will receive the Annual Report and the notice of the AGM. For FY2020 and FY2021, a copy of the Annual Report and the notice of the AGM will be made available on SGXNET, and the Company's website. The Company encourages shareholders' participation at AGMs and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board Committees. The Chairman of the Audit, Remuneration and Nominating Committees and all directors of the Company are required to attend the AGMs. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

Besides the AGM, the Company believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' view and addressing their concerns where possible.

The Company is committed to disclose as much relevant information as is possible to shareholders in a timely basis through SGXNet and other information channels, including a well-maintained and update corporate website – <http://www.hiapseng.com> in which contain various investor-related information on the Company which serves as an important resource for investors.

The Company does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders.

A shareholder who is entitled to attend and vote, may either vote in person or through the appointment of one or two proxies. The Company's Constitution allow a member of the Company to appoint one or two proxies to attend and vote at general meetings.

During the AGM, the shareholders are invited to participate in the question-and-answer session. The Company Secretary, if required, will inform shareholders of the rules, including voting procedures, which govern general meetings of shareholders.

The Company will review its Constitution from time to time and make such amendments to the Constitution to be in line with the applicable requirements or rules and regulations governing the continuing listing obligation in the SGX-ST Listing Rules.

Resolutions at general meeting are on each substantially separate issue. All the resolutions at the general meetings are single item resolution.

The Company will prepare the detailed Shareholders' Meeting minutes, which include comments and the questions received from the shareholders, if available and responses from the Board and the Management. These minutes are made available to shareholders on SGXNet as soon as practicable.

To promote greater transparency and effective participation, the Company has been conducted the voting of its resolutions by poll since 2016 AGM. The detailed results, including the total number of votes cast for or against each resolution and the respective percentages will be announced immediately at the AGMs and via SGXNet.

CORPORATE GOVERNANCE REPORT

The Company anticipates the forthcoming AGM will be held by electronic means pursuant to COVID-19 (Temporary Measure)(Alternative Arrangements for meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("COVID-19 Alternative Arrangements") by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions at or prior to the AGM, publishing of the minutes of AGM within one month from the AGM and voting by appointing the Chairman of the AGM as proxy, will be put in place for the forthcoming AGM of the Company. The Company will consider all questions and endeavour to address all the substantial and relevant questions for questions submitted before a deadline, prior to the deadline for the submission of proxy forms.

The Company engages its material stakeholders through different engagement channels to establish, address and monitor the material environmental, social and governance ("ESG") factors of the Group's operation and its impact on them. Such stakeholders include employees, community, government, regulators, shareholders and investors.

Engagement channels and frequencies are reviewed periodically to ensure that they are sufficient to deal with current identified stakeholders' ESG-related issues.

The Company's approach to stakeholder engagement and materiality assessment will be disclosed in the "Sustainability Report". The Company has obtained a waiver from SGX-ST in issuing the Sustainability Report for as the financial years have passed and any information to be disclosed in such sustainability reports would be obsolete and outdated. Therefore, it will not be beneficial to the shareholders of the Company for the Company to expend time and costs for such purposes. Shareholders of the Company can refer to the sustainability report for FY2022 which the Company intends to issue.

The Company does not have a fixed policy on payment of dividends at present. The frequency, form and number of dividends to be declared depend on the Company's profit, cash flow, capital requirements, investment and other factors as the Board deems appropriate.

DEALINGS IN SECURITIES (Listing Manual Rule 1207(19))

The Company has adopted an internal compliance code with respect to dealings in securities by the Company, Directors, and officers of the Group. The Company, its Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares on short-term considerations and during the periods commencing two weeks before the announcement of the Group's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Group's full-year financial statements or when they are in possession of unpublished price-sensitive information on the Group.

MATERIAL CONTRACTS (Listing Manual Rule 1207(8))

Save for the service agreements between the Executive Directors and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of the CEO or any Director or controlling shareholders subsisting at the end of the financial year ended 31 March 2020 and 31 March 2021.

INTERESTED PERSON TRANSACTIONS (Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions entered into during the financial year under review.

STATISTICS OF SHAREHOLDINGS

As at 31 October 2022

Issued and Fully Paid-up Capital	-	S\$36,450,000
Total number of issued shares excluding treasury shares	-	303,750,000
Total number of treasury shares	-	Nil
Class of shares	-	Ordinary shares
Voting rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	186	4.24	4,263	0.00
100 - 1,000	144	3.28	95,871	0.03
1,001 - 10,000	2,096	47.81	12,100,551	3.99
10,001 - 1,000,000	1,931	44.05	119,739,345	39.42
1,000,001 AND ABOVE	27	0.62	171,809,970	56.56
TOTAL	4,384	100.00	303,750,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAN KUAY HOE HOLDINGS PTE LTD	70,788,639	23.30
2	CHENG BUCK POH @CHNG BOK POH	29,938,375	9.86
3	DBS NOMINEES (PRIVATE) LIMITED	8,883,500	2.92
4	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	7,292,614	2.40
5	GOO GUIK BING @ GOH GUIK BING	7,086,440	2.33
6	ANG LIAN HIN	6,850,000	2.26
7	SZE CHAIN FAI @ SZE SOOK SENG	4,102,251	1.35
8	TAN LIAN CHEW	3,601,761	1.19
9	TAN AH LAM	3,319,500	1.09
10	PHILLIP SECURITIES PTE LTD	2,817,560	0.93
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,294,270	0.76
12	LEE CHEE KONG (LI ZHIGUANG)	2,210,800	0.73
13	HSBC (SINGAPORE) NOMINEES PTE LTD	2,105,600	0.69
14	JOHN RITCHIE	1,990,000	0.66
15	YEOW HOE SEAH	1,713,000	0.56
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,672,390	0.55
17	TAYERS HOLDINGS PTE LTD	1,666,000	0.55
18	UOB KAY HIAN PRIVATE LIMITED	1,566,080	0.52
19	LEW WING KIT	1,562,400	0.51
20	WONG TOON SAN	1,448,700	0.48
	TOTAL	162,909,880	53.64

STATISTICS OF SHAREHOLDINGS

As at 31 October 2022

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders) as at 31 October 2022

Name	No. of Ordinary Shares			
	Direct Interest	%	Indirect Interest	%
Tan Kuay Hoe Holdings Pte Ltd	70,788,639	23.30	-	-
Tan Ah Lam (Note 1)	3,319,500	1.09	70,788,639	23.30
Tan Leau Kuee @ Tan Chow Kuee (Note 2)	-	-	70,788,639	23.30
Cheng Buck Poh @ Chng Bok Poh (Note 3)	29,938,375	9.86	7,086,440	2.33
Goo Guik Bing @ Goh Guik Bing (Note 4)	7,086,440	2.33	29,938,375	9.86

Notes:

- 1) Mr Tan Ah Lam is deemed to have an interest in the shares held by Tan Kuay Hoe Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.
- 2) Mr Tan Leau Kuee @ Tan Chow Kuee is deemed to have an interest in the shares held by Tan Kuay Hoe Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.
- 3) Mr Cheng Buck Poh @ Chng Bok Poh is deemed to have an interest in the shares held by Mdm Goo Guik Bing @ Goh Guik Bing by virtue of the fact that he is the spouse of Mdm Goo Guik Bing @ Goh Guik Bing.
- 4) Mdm Goo Guik Bing @ Goh Guik Bing is deemed to have an interest in the shares held by Mr Cheng Buck Poh @ Chng Bok Poh by virtue of the fact that she is the spouse of Mr Cheng Buck Poh @ Chng Bok Poh.

FREE FLOAT

As at 31 October 2022, approximately 62.04% of the total number of issued shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hiap Seng Engineering Ltd (Judicial Managers appointed) (the "Company") will be held by electronic means on 2 December 2022 at 2:00 pm for the following purposes:

Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 March 2020 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**
2. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 March 2021 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 2)**
3. To re-elect Mr Tan Leau Kuee @ Tan Chow Kuee as a director retiring pursuant to Article 91 of the Company's Constitution. **(See Explanatory Notes 1)** **(Resolution 3)**
4. To re-elect Dr John Chen Seow Phun as a director retiring pursuant to Article 91 of the Company's Constitution. **(See Explanatory Notes 1 and 2)** **(Resolution 4)**
5. To approve the payment of Directors' fees of S\$201,000 for the financial year ended 31 March 2020 (2019: S\$195,000). **(Resolution 5)**
6. To approve the payment of Directors' fees of S\$ 85,500 for the financial year ended 31 March 2021. **(Resolution 6)**
7. To re-appoint Messrs PricewaterhouseCoopers LLP as the Company's Auditors and to authorise the Judicial Managers / Directors to fix their remuneration. **(Resolution 7)**
8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Special Business

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions, with or without any modifications:

9. **Continued appointment of Dr John Chen Seow Phun as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders (effective 1 January 2022)** **(Resolution 8)**

That, contingent upon the passing of Resolution 4 by shareholders and Resolution 9 by shareholders (excluding the Directors, Chief Executive Officer of the Company and their associates) and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (effective 1 January 2022) :

- a) the continued appointment of Dr John Chen Seow Phun, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (effective 1 January 2022) be and is hereby approved by all shareholders; and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Dr John Chen Seow Phun as a Director; or (ii) the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution. **(See Explanatory Note 2)**

NOTICE OF ANNUAL GENERAL MEETING

10. **Continued appointment of Dr John Chen Seow Phun as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the Directors and Chief Executive Officer of the Company and their associates (effective 1 January 2022) (Resolution 9)**

That, contingent upon the passing of Resolution 4 and Resolution 8 by all shareholders and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (effective 1 January 2022) :

- a) the continued appointment of Dr John Chen Seow Phun, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (effective 1 January 2022) be and is hereby approved by shareholders, excluding the Directors, Chief Executive Officer of the Company and their associates (as defined in the Listing Manual of the SGX-ST); and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Dr John Chen Seow Phun as a Director; or (ii) the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution,

provided that this Resolution shall only be proposed and voted upon if Resolution 8 is passed by shareholders of the Company at the Annual General Meeting. (**See Explanatory Note 2**)

11. **Continued appointment of Mr Koh Kim Wah as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders (effective 1 January 2022) (Resolution 10)**

That, contingent upon the passing of Resolution 11 by shareholders (excluding the Directors, Chief Executive Officer of the Company their associates) and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (effective 1 January 2022) :

- a) the continued appointment of Mr Koh Kim Wah, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (effective 1 January 2022) be and is hereby approved by all shareholders; and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Koh Kim Wah as a Director; or (ii) the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution. (**See Explanatory Note 2**)

12. **Continued appointment of Mr Koh Kim Wah as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the Directors and Chief Executive Officer of the Company and their associates (effective 1 January 2022) (Resolution 11)**

That, contingent upon the passing of Resolution 10 by all shareholders and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (effective 1 January 2022) :

- a) the continued appointment of Mr Koh Kim Wah, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (effective 1 January 2022) be and is hereby approved by shareholders, excluding the Directors, Chief Executive Officer of the Company and their associates (as defined in the Listing Manual of the SGX-ST); and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Koh Kim Wah as a Director; or (ii) the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution.

provided that this Resolution shall only be proposed and voted upon if Resolution 10 is passed by shareholders of the Company at the Annual General Meeting. (**See Explanatory Note 2**)

NOTICE OF ANNUAL GENERAL MEETING

13. **Continued appointment of Mr M. Rajaram as an Independent Director for purposes of Rule 210(5)(d)(iii) (A) of the Listing Manual of the SGX-ST by all shareholders (effective 1 January 2022) (Resolution 12)**

That, contingent upon the passing of Resolution 13 by shareholders (excluding the Directors, Chief Executive Officer of the Company their associates) and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (effective 1 January 2022) :

- a) the continued appointment of Mr M. Rajaram, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (effective 1 January 2022) be and is hereby approved by all shareholders; and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr M. Rajaram as a Director; or (ii) the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution. **(See Explanatory Note 2)**

14. **Continued appointment of Mr M. Rajaram as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the Directors and Chief Executive Officer of the Company and their associates (effective 1 January 2022) (Resolution 13)**

That, contingent upon the passing of Resolution 12 by all shareholders and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (effective 1 January 2022) :

- a) the continued appointment of Mr M. Rajaram, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (effective 1 January 2022) be and is hereby approved by shareholders, excluding the Directors, Chief Executive Officer of the Company and their associates (as defined in the Listing Manual of the SGX-ST); and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr M. Rajaram as a Director; or (ii) the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution.

provided that this Resolution shall only be proposed and voted upon if Resolution 12 is passed by shareholders of the Company at the Annual General Meeting. **(See Explanatory Note 2)**

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

Singapore, 17 November 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Dr John Chen Seow Phun will, upon re-election as a director of the Company, remain as the Chairman of the Audit Committee and a member of the Remuneration Committee. Subject to the passing of Resolutions 8 and 9, Dr John Chen Seow Phun will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. The detailed information of Dr John Chen Seow Phun can be found under the section Corporate Governance Report and Additional Information of Directors in the Annual Report.

Detailed information of each Mr Tan Leau Kuee @ Tan Chow Kuee, Mr Koh Kim Wah and Mr M. Rajaram can be found under "Additional Information of Directors".

2. The proposed Ordinary Resolutions 8 to 13 are proposed in compliance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST effective 1 January 2022.

Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST provides that a Director will not be independent if he has been a Director for an aggregate period of more than nine years and his continued appointment as an Independent Director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the Directors and Chief Executive Officer of the Company, and their associates.

Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram were appointed as an Independent Directors and have served the Board for more than nine (9) years. Shareholders' approval is being sought at the forthcoming Annual General Meeting for continued appointment of Dr John Chen Seow Phun, Mr Koh Kim Wah and Mr M. Rajaram as Independent Directors through a Two-Tier Voting process for purposes of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST.

In reviewing the continued appointment, the Board has considered the current business environment, and imperative to have Directors who understand the business to be able to interact and work with Management continually through robust exchange of ideas and views presenting constructive feedback. This would facilitate strategic dialogues and decision-making for generating long-term values to various stakeholders.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board will take some time and cannot happen overnight in order to maintain stability to the Board. Furthermore, the Company benefits from such director who has, over time, gained valuable insights into the Group, its market and the industry.

Notes:

- (i) The Annual General Meeting of the Company (the "AGM") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
- (ii) Printed copies of the Notice of AGM and accompanying Annual Report and proxy form will not be sent to members. Instead, these documents will be made available on SGXNet at <https://www.sgx.com/securities/company-announcements>.
- (iii) Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by shareholders can participate at the AGM by observing and/or listening to the proceedings of the AGM through either live audio-visual webcast or live audio-only stream ("electronic means"), submission of questions in advance of the AGM, addressing of substantial and relevant questions, submission of text-based questions during the AGM and participation in the live voting during the AGM are set out in the Company's announcement dated 17 November 2022 (the "Announcement"), which has been uploaded together with this Notice of AGM on SGXNet on the same day. The Announcement may also be assessed on the Company's website www.hiapseng.com. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of this Notice of AGM.
- (iv) A member will not be able to attend the AGM in person. A member of the Company (whether individual or corporate and including a Relevant Intermediary, whichever is applicable) is able to participate at the AGM by electronic means or appoint proxy(ies) as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM conducted by electronic means, if such member wishes to exercise his/her/its voting rights at the AGM.
- (v) Members (whether individual or corporate) may also vote at the AGM in real time via electronic means or by appointing proxy(ies) or the Chairman of the AGM as proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.
- (vi) Where a member appoints two proxies, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

NOTICE OF ANNUAL GENERAL MEETING

A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

CPF/SRS Investors who wish to exercise their voting rights at the AGM should not submit proxy forms in the manner specified above. Instead, such investors should approach their respective CPF/SRS Operators to submit their votes by 5.00 p.m. on 23 November 2022 being at least 7 working days before the date of the AGM.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967.

- (vii) The instrument appointing the Chairman of the meeting as proxy must be submitted to the Company in the following manner:

- (a) if in hard copy by post, be lodged at the Company's registered address at 28 Tuas Crescent Singapore 638719; or
- (b) if by email, be received by proxyagm21@hiapseng.com

in either case, no later than 30 November 2022 by 2pm, being 48 hours before the time fixed for the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above. Members are strongly encouraged to submit completed proxy forms electronically via email.

- (viii) A proxy need not be a member of the Company. The Chairman of the meeting, as a proxy, need not be a member of the Company.

Important Reminder

As the COVID-19 pandemic continues to evolve, further measures and/or changes to the AGM arrangements may be made on short notice in the ensuing days, even up to the day of the AGM. Shareholders are advised to closely monitor announcements made on SGXNet website at the <https://www.sgx.com/securities/company-announcements> and/or the Company's website at the <http://www.hiapseng.com> for updates on the AGM. The Company also seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

Personal data privacy

By lodging an instrument appointing a proxy(ies) and/or representative(s), a Member (i) consents to the collection, use and disclosure of the Member's personal data by the Company (and its agents) for the purpose of the processing and administration by the Company (and its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (and its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (and its agents), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Dr John Chen Seow Phun and Mr Tan Leau Kuee @ Tan Chow Kuee, all of whom are seeking re-election as Director at the forthcoming annual general meeting, is to be read in conjunction with their respective biographies on pages 5 to 7.

	Dr John Chen Seow Phun	Mr Tan Leau Kuee @ Tan Chow Kuee
Date of Appointment *	18 September 2002	24 September 1990
Date of last re-appointment	28 July 2017	28 July 2017
Name of person *	Dr John Chen Seow Phun	Tan Leau Kuee @ Tan Chow Kuee
Age *	68	72
Country of principal residence *	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process) *	The Board of Directors of the Company has considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Dr John Chen Seow Phun for re-election as Director of the Company. The Board have reviewed and concluded that Dr John Chen possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Tan Leau Kuee @ Tan Chow Kuee for re-election as Director of the Company. The Board have reviewed and concluded that Mr Tan Leau Kuee @ Tan Chow Kuee possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, area of responsibility *	Non-Executive	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Audit Committee, member of the Remuneration Committee	Executive Director and CEO
Professional qualifications	Dr John Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.	GCE "O" level
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries *	No	Mr Tan Leau Kuee @ Tan Chow Kuee is the CEO and brother of the Chairman, Mr Tan Ah Lam
Conflict of interest (including any competing business) *	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Dr John Chen Seow Phun	Mr Tan Leau Kuee @ Tan Chow Kuee
Working experience and occupation(s) during the past 10 years *	Executive Chairman of Pavillon Holdings Ltd and the Chairman of SAC Capital Pte Ltd	Mr Tan has been with the Group since 1971 and was appointed Executive Director in 1990 and is also one of the key persons behind the growth and business expansion of the Group. On 1 April 2017, Mr Tan was appointed as CEO of the Group.
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7))	Yes	Yes
Shareholding interest * in the listed issuer and its subsidiaries *	No	Yes
Shareholding Details	NIL	Mr Tan Leau Kuee @ Tan Chow Kuee is deemed to have an interest in the 70,788,639 shares held by Tan Kuay Hoe Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.
<u>Other Directorship*</u>		
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)		
Past (for the last 5 years)	National University Health System Pte Ltd Fu Yu Corporation Limited (Resigned on 5 July 2021) Hong Lai Huat Group Limited (Resigned on 1 January 2022)	Hiap Seng Engineering Limited FZC ProEn Scaffold Pte Ltd
Present	JCL Business Development Pte Ltd Unigold Asia Limited OKP Holdings Limited Pavillon Holdings Ltd Hanwell Holdings Ltd Matex International Limited SAC Capital Private Limited Tat Seng Packaging Group Ltd JLM Foundation Ltd SAC Advisors Pte Ltd Pavillon Financial Leasing Co., Ltd. Pavillon Business Development (Shanghai) Co. Ltd. Fengchi IOT Management Co., Ltd. Sinostar PEC Holdings Ltd	HS Compression & Process Pte Ltd Hiap Seng Engineering (Thailand) Co., Ltd Orion Tuas Shipyard Pte Ltd Hiap Seng-Sanko TPM Pte Ltd HS Info-Tech Pte Ltd HS Engineering (Middle East) Pte Ltd Hiap Seng Engineering (M) Sdn Bhd Hiap Seng Engineering Shanghai Co. Ltd Tan Kuay Hoe Holdings Pte Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Dr John Chen Seow Phun	Mr Tan Leau Kuee @ Tan Chow Kuee
Information required		
	Disclose the following matters concerning an appointment of director, chief executive officer, general manager or other officer of equivalent rank. If the answer to any questions is "yes", full details must be given.	
(a) *	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) *	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) *	Whether there is any unsatisfied judgement against him?	No
(d) *	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Dr John Chen Seow Phun	Mr Tan Leau Kuee @ Tan Chow Kuee	
(e) *	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) *	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) *	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) *	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) *	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		Dr John Chen Seow Phun	Mr Tan Leau Kuee @ Tan Chow Kuee
(j) *	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-		
	(i)* any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
	(ii)* any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
	(iii)* any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	(iv)* any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k)*	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

ADDITIONAL INFORMATION ON INDEPENDENT DIRECTORS SEEKING CONTINUED APPOINTMENT

The following additional information on Mr Koh Kim Wah, Mr M. Rajaram and Dr John Chen Seow Phun, all of whom are seeking continued appointment as Independent Director at the forthcoming annual general meeting, is to be read in conjunction with their respective biographies on pages 5 to 7.

	Mr Koh Kim Wah	Mr M. Rajaram	Dr John Chen Seow Phun
Date of Appointment *	28 July 2005	28 July 2005	18 September 2002
Date of last re-appointment	30 August 2019	30 August 2019	28 July 2017
Name of person *	Koh Kim Wah	M. Rajaram	Dr John Chen Seow Phun
Age *	79	70	68
Country of principal residence *	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process) *	The Board of Directors of the Company has considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Koh Kim Wah for continued appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr Koh Kim Wah possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr M. Rajaram for continued appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr M. Rajaram possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Dr John Chen Seow Phun for continued appointment as Independent Director of the Company. The Board have reviewed and concluded that Dr John Chen possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, area of responsibility *	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Remuneration Committee, member of the Audit Committee and NC	Independent Non-Executive Director, Chairman of the NC, member of the Audit Committee and Remuneration Committee	Lead Independent Director, Chairman of Audit Committee, member of the Remuneration Committee
Professional qualifications	Mr Koh graduated from University of Canterbury, New Zealand with a 1st class Honours degree in Chemical Engineering in 1967 and later attended the Advance Management Programme at Harvard Business School in 1992.	Bachelor of Laws (LLB) Honours degree from National University of Singapore and obtained MBA from Maastricht School of Management. Mr M. Rajaram is a Fellow of Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators.	Dr John Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.

ADDITIONAL INFORMATION ON INDEPENDENT DIRECTORS SEEKING CONTINUED APPOINTMENT

	Mr Koh Kim Wah	Mr M. Rajaram	Dr John Chen Seow Phun
Professional qualifications (continued)		Mr Rajaram is an Advocate & Solicitor of Supreme Court of Singapore since 1980.	
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries *	No	No	No
Conflict of interest (including any competing business) *	No	No	No
Working experience and occupation(s) during the past 10 years *	Advisor at Smarttpapers International Pte. Ltd. and Quad Stone Energy Ltd	Partner at K&L Gates Straits Law LLC	Executive Chairman of Pavillon Holdings Ltd and the Chairman of SAC Capital Pte Ltd
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7))	Yes	Yes	Yes
Shareholding interest * in the listed issuer and its subsidiaries *	Yes	Yes	No
Shareholding Details	Deemed interest: 278,000	Direct interest: 300,000	NIL
<u>Other Directorship#</u>			
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)			
Past (for the last 5 years)	None	None	National University Health System Pte Ltd Fu Yu Corporation Limited (Resigned on 5 July 2021) Hong Lai Huat Group Limited (Resigned on 1 January 2022)
Present	Smarttpapers International Pte. Ltd. Quad Stone Energy Ltd	Global Palm Resources Holdings Ltd	JCL Business Development Pte Ltd Unigold Asia Limited OKP Holdings Limited Pavillon Holdings Ltd Hanwell Holdings Ltd Matex International Limited SAC Capital Private Limited Tat Seng Packaging Group Ltd

ADDITIONAL INFORMATION ON INDEPENDENT DIRECTORS SEEKING CONTINUED APPOINTMENT

	Mr Koh Kim Wah	Mr M. Rajaram	Dr John Chen Seow Phun
Present (continued)			JLM Foundation Ltd SAC Advisors Pte Ltd Pavillon Financial Leasing Co., Ltd. Pavillon Business Development (Shanghai) Co. Ltd. Fengchi IOT Management Co., Ltd. Sinostar PEC Holdings Ltd
Information required			
Disclose the following matters concerning an appointment of director, chief executive officer, general manager or other officer of equivalent rank. If the answer to any questions is "yes", full details must be given.			
(a) *	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) *	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No

ADDITIONAL INFORMATION ON INDEPENDENT DIRECTORS SEEKING CONTINUED APPOINTMENT

		Mr Koh Kim Wah	Mr M. Rajaram	Dr John Chen Seow Phun
(c) *	Whether there is any unsatisfied judgement against him?	No	No	No
(d) *	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) *	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) *	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No

ADDITIONAL INFORMATION ON INDEPENDENT DIRECTORS SEEKING CONTINUED APPOINTMENT

		Mr Koh Kim Wah	Mr M. Rajaram	Dr John Chen Seow Phun
(g) *	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) *	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) *	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) *	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-			
	(i)* any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
	(ii)* any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No

ADDITIONAL INFORMATION ON INDEPENDENT DIRECTORS SEEKING CONTINUED APPOINTMENT

		Mr Koh Kim Wah	Mr M. Rajaram	Dr John Chen Seow Phun
	(iii)* any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
	(iv)* any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k)*	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

HIAP SENG ENGINEERING LTD

(JUDICIAL MANAGER APPOINTED)

(Incorporated in the Republic of Singapore)

(Company Registration No. 197100300Z)

PROXY FORM

IMPORTANT:

- The Annual General Meeting ("AGM") will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
- Alternative arrangements relating to, among others, attendance via electronic means, submission of questions in advance and/or voting by proxy at the AGM, are set out in the Notice of AGM dated 17 November 2022.
- A member will not be able to attend the AGM in person. Please refer to the Notes for further details.
- CPF and SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators by 5:00 p.m. on 23 November 2022 to submit their votes.
- This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purported to be used by them.

PERSONAL DATA PRIVACY

By submitting this proxy form, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 17 November 2022.

I/We _____ (Name) *NRIC/Passport No./Co. Registration No. _____

of _____ (Address)

being a *member/members of the Company, hereby appoint

Name	Address	E-mail address ⁽¹⁾	NRIC/Passport No.	Proportion of shareholdings to be represented by proxy	
				No. of Shares	%

and/or (delete as appropriate)

Name	Address	E-mail address ⁽¹⁾	NRIC/Passport No.	Proportion of shareholdings to be represented by proxy	
				No. of Shares	%

or *the Chairman of the Annual General Meeting of the Company ("AGM") as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the AGM to be held by electronic means on 2 December 2022 at 2:00 pm and at any adjournment thereof.

I/We* direct my/our* proxy/proxies to vote for or against or abstain from voting on the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, in respect of a resolution, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion. Where the Chairman of the AGM is appointed as proxy and in the absence of specific directions as to voting is given, the appointment of the Chairman of the AGM as proxy will be treated as invalid.

The Ordinary Resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Ordinary Resolutions Relating to:	No. of Votes For [#]	No. of Votes Against [#]	No. of Votes Abstain [#]
1.	Audited Financial Statements for the financial year ended 31 March 2020 together with the Directors' Statement and the Auditors' Report thereon.			
2.	Audited Financial Statements for the financial year ended 31 March 2021 together with the Directors' Statement and the Auditors' Report thereon.			
3.	Re-election of Mr Tan Leau Kuee @ Tan Chow Kuee as a director.			
4.	Re-election of Dr John Chen Seow Phun as a director.			
5.	Approval of Directors' fees amounting to S\$201,000 for financial year ended 31 March 2020.			
6.	Approval of Directors' fees amounting to S\$85,500 for financial year ended 31 March 2021.			
7.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors.			
8.	Continued appointment of Dr John Chen Seow Phun as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders			
9.	Continued appointment of Dr John Chen Seow Phun as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the Directors and Chief Executive Officer of the Company and their associates			
10.	Continued appointment of Mr Koh Kim Wah as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders			
11.	Continued appointment of Mr Koh Kim Wah as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the Directors and Chief Executive Officer of the Company and their associates			
12.	Continued appointment of Mr M. Rajaram as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders			
13.	Continued appointment of Mr M. Rajaram as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the Directors and Chief Executive Officer of the Company and their associates			

(1) Compulsory for registration purposes.

If you wish for your proxy to cast all your votes "For" or "Against" a resolution, please indicate (X) or (V) within the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish for your proxy to abstain from voting on that resolution, please indicate (X) or (V) within the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of votes that your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution.

* Delete accordingly.

Dated this _____ day of _____ 2022

Total number of shares in	No. of Shares
In CDP Register	
In Register of Members	

Signature(s) of Member(s)/Common Seal

* Delete accordingly

IMPORTANT: Please read notes overleaf.



NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
2. A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it may cast his/her/its votes remotely in real time via electronic means. Members may appoint a proxy or proxies to vote on his/her/its behalf at the AGM. Members (whether individual or corporate) may also vote at the AGM by appointing the Chairman of the AGM as proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid. The Chairman of the meeting, as a proxy, need not be a member of the Company.

A member who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one proxy to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, it should annex to the Proxy Form the list of proxies, setting out, in respect of each proxy, the name, address, email address, NRIC/Passport Number and proportion of shareholding (number of Shares and percentage) in relation to which each proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank/SRS Operator who intends to appoint CPF/SRS investors as its proxies shall comply with this note to the Notice of AGM. The appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed in the Proxy Form. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967.

3. A proxy need not be a member of the Company. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. The instrument appointing Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
5. Where an instrument appointing Chairman of the AGM as proxy is signed and authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. The proxy form, duly completed and signed, must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged at the registered office of the Company's registered address at 28 Tuas Crescent Singapore 638719; or
 - (b) if by email, be received by proxyagm21@hiapseng.com

in either case, by no later than 2:00 pm on 30 November 2022, being 48 hours before the time fixed for the AGM.
7. A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.
8. In the case of the members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any Proxy Form if the member being the appointor, is not shown to have shares entered against his/her/their name(s) in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the proxy or proxies (such as in the case where the appointor submits more than one instrument appointing a proxy or proxies).

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accept and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 17 November 2022.



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

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