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Pipeline Engineering Holdings Limited

管道工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1865)

INTERIM RESULT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Pipeline Engineering Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2020, together with the comparative figures for the six months ended 30 September 2019, which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), and have been approved by the Board on 30 November 2020.

FINANCIAL SUMMARY

	For the six months ended	
	30 September	
	2020	2019
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers	7,586	12,889
Gross (loss)/profit	(1,330)	1,855
(Loss)/Profit before income tax	(2,898)	519
(Loss)/Profit and total comprehensive (loss)/income for the period	(2,898)	342
(Loss)/Earnings per share for profit attributable to the shareholders of the Company (expressed in Singapore cents per share)		
— Basic earnings per share	(0.32)	0.04
— Diluted earnings per share	(0.32)	0.04

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
		S\$'000	S\$'000
	<i>Notes</i>	(unaudited)	(unaudited)
Revenue from contracts with customers	5	7,586	12,889
Cost of sales	8	<u>(8,916)</u>	<u>(11,034)</u>
Gross (loss)/profit		(1,330)	1,855
Other income	6	1,482	441
Other (losses)/gains, net	7	(481)	281
Administrative expenses	8	(2,517)	(2,007)
Finance costs	10	<u>(52)</u>	<u>(51)</u>
(Loss)/Profit before income tax		(2,898)	519
Income tax expense	11	<u>—</u>	<u>(177)</u>
(Loss)/Profit and total comprehensive (loss)/ income for the period		<u>(2,898)</u>	<u>342</u>
Basic and diluted (loss)/earnings per share for profit attributable to equity holders of the Company for the period (express in Singapore cents per share)			
Basic and diluted	12	<u><u>(0.32)</u></u>	<u><u>0.04</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 <i>S\$'000</i> (unaudited)	As at 31 March 2020 <i>S\$'000</i> (audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		7,416	8,529
Investment properties		15,320	1,020
Intangible asset		29	49
Right-of-use assets		5,706	268
Deposit		—	1,854
		<hr/> 28,471	<hr/> 11,720
Current assets			
Trade and other receivables	13	2,659	3,596
Contract assets	14	5,047	13,925
Fixed deposit		102	100
Cash and cash equivalents		19,583	15,619
		<hr/> 27,391	<hr/> 33,240
Total assets		<hr/> 55,862	<hr/> 44,960

		As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		1,589	1,589
Share premium		17,138	17,138
Merger reserve		1,500	1,500
Retained profits		14,065	16,963
		<u>34,292</u>	<u>37,190</u>
Current liabilities			
Trade and other payables	15	2,814	4,026
Contract liabilities	14	406	447
Bank borrowings	16	1,942	861
Lease liabilities		134	268
Current income tax liabilities		666	692
		<u>5,962</u>	<u>6,294</u>
Non-current liabilities			
Bank borrowings	16	8,951	399
Lease liabilities		5,580	—
Deferred tax liabilities		1,077	1,077
		<u>15,608</u>	<u>1,476</u>
Total liabilities		<u>21,570</u>	<u>7,770</u>
Total equity and liabilities		<u><u>55,862</u></u>	<u><u>44,960</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

1. General Information

The Company was incorporated on 17 July 2018 in the Cayman Islands as an exempted Company with limited liability under the Companies Law (Cap 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board (the “**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 March 2019.

The Company’s registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries services (the “**Listing Businesses**”). The principal place of business in Singapore of the Group is 36 Sungei Kadut Avenue, Singapore 729661.

The unaudited condensed consolidated financial information was approved by the Board of Directors of the Company on 30 November 2020.

2. Basis of preparation

The condensed consolidated financial information for the six months ended 30 September 2020 is prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”. The condensed consolidated financial information have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”). The condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020.

The unaudited condensed consolidated financial information are presented in Singapore Dollars (“**S\$**”), unless otherwise stated.

3. Significant accounting policies

The accounting policies applied and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 April 2020.

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 April 2020:

Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 3	Definition of a business
Conceptual Framework	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The adoption of these new and amended standards does not have significant impact on the condensed consolidated financial statements of the Group.

4. Segment information

The Company's executive directors monitor the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment.

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider the segment from a business perspective. As the Group has only one operating segment that qualifies as reporting segment under IFRS 8 and the information that is regularly reviewed by the executive directors for the purposes of allocating resources and assessing performance of the operating segment is the consolidated financial statements of the Group, no separate segmental analysis is presented.

The executive directors assess the performance based on a measure of profit after income tax, and consider all business is included in a single operating segment.

Revenue reported in Note 5 below represented transactions with third parties and are reported to the executive directors in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

All of the Group's activities are carried out in Singapore and all of the Group's assets and liabilities are located in Singapore and all the revenue are derived from external customers in Singapore for the period ended 30 September 2020 and 2019, respectively. Accordingly, no analysis by geographical basis for the financial period is presented.

For the six months ended 30 September 2020, there were one customer (2019: two customers), respectively, which individually contributed over 10% of the Group's total revenue. During the six months ended 30 September 2020 and 2019, the revenue contributed from each of these customers was as follows:

	Six months ended	
	30 September	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Customer A	4,833	8,361
Customer B	63	N/A
Customer C	8	2,810

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors to assess the performance of the business.

5. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

	Six months ended	
	30 September	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Revenue from construction contracts relating to:		
— Gas	7,433	8,361
— Water	142	4,481
— Cable	11	47
	7,586	12,889
Timing of revenue recognition:		
Over time	7,586	12,889

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 30 September 2020 S\$'000 (unaudited)	As at 30 September 2019 S\$'000 (unaudited)	As at 1 April 2019 S\$'000 (audited)
Total contract assets	<u>5,047</u>	<u>14,553</u>	<u>17,166</u>
Total contract liabilities	<u>(406)</u>	<u>(1,299)</u>	<u>(2,196)</u>

Contract assets relate to fixed price specialised pipeline construction contracts. The contract assets balance decreased as there are lesser services provided ahead of the agreed payment schedules as at 30 September 2020.

Contract liabilities for specialized pipeline construction contracts have decreased due to the lower billing and prepayment for the contract activities.

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from contracts and when the Group expects to recognise as revenue:

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied:		
Within 1 year after financial year	62,886	16,393
Between 1 to 2 years after financial year	20,057	1,140
More than 2 years after financial year	3,428	10
	<u>86,371</u>	<u>17,543</u>

(d) Trade receivables from contracts with customers

	As at 30 September 2020 S\$'000 (unaudited)	As at 30 September 2019 S\$'000 (unaudited)	As at 1 April 2019 S\$'000 (audited)
Trade receivables from contracts with customers	<u>2,105</u>	<u>3,001</u>	<u>1,629</u>

6. Other income

	Six months ended 30 September	
	2020 S\$'000 (unaudited)	2019 S\$'000 (unaudited)
Rental income	126	17
Interest income	4	44
Government grant	1,318	32
Insurance claims	19	12
Others	15	336
	<u>1,482</u>	<u>441</u>

7. Other (losses)/gains, net

	Six months ended 30 September	
	2020 S\$'000 (unaudited)	2019 S\$'000 (unaudited)
Write off of property, plant and equipment	(433)	—
Foreign exchange (losses)/gains	(48)	654
	<u>(481)</u>	<u>654</u>

8. Expenses by nature

	Six months ended	
	30 September	
	2020	2019
	S\$'000	S\$'000
	(unaudited)	(unaudited)
Material costs	2,498	1,981
Subcontractor costs	1,054	2,365
Transportation costs	80	201
Auditor's remuneration	68	115
Entertainment expenses	7	20
Rental expenses	121	—
Depreciation of property, plant and equipment	1,096	1,010
Depreciation of right-of-use	231	19
Amortisation of intangible asset	20	242
Professional fees	227	198
Vehicle-related expenses	303	434
Repair and maintenance expenses	118	381
Employee benefit costs (<i>Note 9</i>)	4,079	5,117
Other expenses	1,532	958
	<hr/>	<hr/>
Total cost of sales and administrative expenses	11,434	13,041
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Cost of sales	8,916	11,034
Administrative expenses	2,518	2,007
	<hr/>	<hr/>
	11,434	13,041
	<hr/> <hr/>	<hr/> <hr/>

9. Employee benefit costs — including directors' emoluments

	Six months ended	
	30 September	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Wages and salaries	3,888	4,908
Employer's contribution to defined contribution plans	191	209
	<u>4,079</u>	<u>5,117</u>

Employee benefits costs have been included in the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended	
	30 September	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Cost of sales	2,811	4,225
Administrative expenses	1,268	892
	<u>4,079</u>	<u>5,117</u>

10. Finance costs

	Six months ended	
	30 September	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Hire purchase liabilities	8	24
Lease liabilities	25	16
Term loan	18	11
	<u>51</u>	<u>51</u>

11. Income taxes

Tax has been provided at the applicable Singapore statutory corporate tax rate of 17% (2019: 17%) on the estimated assessable profit during the financial year. No overseas profit tax has been provided as the Company and certain subsidiaries are incorporated in the Cayman Islands and the British Virgin Islands (the “BVI”) respectively and are exempted from tax (2019: Nil).

The amount of income tax expense charged to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 September	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Tax expense attributable to profit is made up of:		
— Current income tax	—	170
— Deferred income tax	—	7
	<u>—</u>	<u>177</u>

12. (Loss)/Earnings per share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
(Loss)/Profit attributable to owners of the Company (<i>S\$'000</i>)	<u>(2,898)</u>	<u>342</u>
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>920,000</u>	<u>920,000</u>
Basic (loss)/earnings per share (<i>Singapore cents</i>)	<u>(0.32)</u>	<u>0.04</u>

(b) Diluted (loss)/earnings per share

For the six months ended 30 September 2020 and 2019, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares.

13. Trade and other receivables

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
Current		
Trade receivables	2,105	2,949
Prepayments, deferred expenses, deposits and other receivables		
Grant receivable	—	190
Prepayments	365	146
Deferred expenses	—	170
Deposits	189	141
	2,659	3,596
Non-current		
Non-refundable deposit for purchase of property	—	1,854
	2,659	5,450

The Group normally grants credit terms to its customers ranging from 30 to 45 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
1 to 30 days	2,018	2,712
31 to 60 days	71	1
61 to 90 days	16	236
	<u>2,105</u>	<u>2,949</u>

The carrying amounts of the Group's trade and other receivables are denominated in Singapore Dollars.

The Group's customers comprise mainly (i) gas, water, telecommunications and power utility companies in the private sector, and (ii) Singapore government agencies such as those governing water utility and catchment in the public sector.

The expected credit loss rate for the Group's customers are negligible for the periods ended 30 September 2020 and 2019 respectively. The Group is of the view that no impairment allowance is necessary in respect of these balances, by taking into consideration of the track record of regular repayment from the customers and also the outlook of economic environment for the financial periods ended 30 September 2020 and 2019, respectively.

14. Contract assets/(liabilities)

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
Comprising:		
Current		
Contract assets	5,047	13,925
Contract liabilities	(406)	(447)
	<u>4,641</u>	<u>13,478</u>

The contract assets primarily relate to the Group's conditional right to a consideration in exchange for a satisfied performance obligations at the reporting date in respect of construction contracts. The contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received consideration (or an amount of consideration is due) from the customers.

Movements in contract liabilities:

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
At the beginning of the period/year	447	2,196
Billing to customers	11,285	2,117
Revenue recognised upon the provision of project works	(11,326)	(3,866)
At the end of the period/year	<u>406</u>	<u>447</u>

As at 30 September 2020, retention receivables amounted to S\$242,000 (31 March 2020: S\$242,000) are included in contract assets.

Retention receivables is unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts.

The Group considered that the ECL for contract assets are negligible as the customers of the Group are reputable organisations.

15. Trade and other payables

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
Trade payables	2,349	3,055
Other payables		
— Goods and service tax (receivable)/payables	(746)	55
— Advances received from customers	16	6
— Sundry creditors	146	86
Deferred income	—	190
Accrued expenses	76	230
Accrued for trade related costs	39	241
Accrual for employee benefit expenses	934	163
	<u>2,814</u>	<u>4,026</u>

The ageing analysis of the trade payables based on invoice date were as follows:

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
0 to 30 days	1,313	1,498
31 to 60 days	910	907
61 to 90 days	98	343
Over 90 days	28	307
	<u>2,349</u>	<u>3,055</u>

The carrying amounts of the Group's trade payables are denominated in Singapore dollars. The carrying amounts of trade payables approximate their fair values.

16. Bank borrowings

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
Term loan (i)	10,265	393
Hire purchase liabilities (ii)	628	867
	<hr/>	<hr/>
Total borrowings	10,893	1,260
	<hr/>	<hr/>
Of which		
— Current liabilities	1,942	861
— Non-current liabilities	8,951	399
	<hr/>	<hr/>
	10,893	1,260
	<hr/> <hr/>	<hr/> <hr/>

(i) Term loan

The Group's term loan were repayable as follows:

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
Bank borrowings		
Non-current, secured		
— Repayable later than 1 year and no later than 2 years	1,558	112
— Repayable later than 2 years and no later than 5 years	7,177	182
	<hr/>	<hr/>
	8,735	294
Current, secured		
— Repayable no later than 1 year	1,530	99
	<hr/>	<hr/>
	10,265	393
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of the Group's term loan approximate their fair values and are denominated in Singapore dollar.

Term loans are separately secured by investment properties and corporate guarantee from the Company.

(ii) Hire purchase liabilities

The Group's hire purchase liabilities were repayable as follows:

	As at 30 September 2020 S\$'000 (unaudited)	As at 31 March 2020 S\$'000 (audited)
— No later than 1 year	412	762
— Later than 1 year and no later than 2 years	216	105
	<u>628</u>	<u>867</u>

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The Group's operations are located in Singapore and its revenue and profit from operations are solely derived from pipeline infrastructural services rendered within Singapore. The Group is actively involved as a main contractor in both private and public sector projects which include institutional, industrial, commercial and residential projects. The revenue was principally derived from pipeline project works for (i) gas pipeline projects, (ii) water pipeline projects and (iii) cable installation projects.

In the first half of 2020, the global economy was adversely affected by the outbreak of the novel coronavirus covid-19 (the “**COVID-19**”) pandemic. During the period from 7 April 2020 to 18 June 2020 (both dates inclusive) (the “**Suspension Period**”), the Group's headquarters were temporary closed due to the safe distancing measures implemented by the Ministry of Health of Singapore. Save for certain exceptions, the Group was not able to deploy its manpower to project jobsites. As such, the Group's income was adversely affected during the six months ended 30 September 2020. For the six months ended 30 September 2020, the Group recorded total revenue of approximately S\$7.6 million, representing a decrease of approximately S\$5.3 million, as compared to approximately S\$12.9 million for the six months ended 30 September 2019.

Business strategies of the Group remained unchanged for the six months ended 30 September 2020. Despite the challenging environment, the Group will continuously deploy outreach strategies in maintaining relationships with existing and potential customers. The Company established a subsidiary for new business in October 2020 in order to strengthen the Group's performance in the existing challenging environment and with a more diversified revenue stream, the Board expects the Group to be well-positioned for the challenges ahead, and aims to deliver satisfactory return to shareholders.

Ongoing Projects

As at 30 September 2020, the Group had nine ongoing gas pipeline projects, ten ongoing water pipeline projects, one ongoing cable installation projects with an aggregated contract sum of approximately S\$124.7 million, of which approximately S\$38.3 million has been recognised as revenue as at 30 September 2020 (30 September 2019: five gas pipeline projects, four water pipeline projects; one cable installation project with an aggregate sum of approximately S\$63.1 million). The remaining balance will be recognised as our revenue in subsequent periods in accordance with IFRS 15.

The management considered that all ongoing projects were on schedule and none of which is expected to cause the Group to indemnify the third parties and incur any contingent liabilities as at 30 September 2020.

Financial Review

Six months ended 30 September 2020 (“**1H2021**”) compared to six months ended 30 September 2019 (“**1H2020**”).

Revenue

The following table sets out the breakdown of the Group’s revenue, the number of projects/contracts performed and the percentage contribution to total revenue for 1H2021 and 1H2020.

	For the six months ended 30 September					
	2020			2019		
	Number of projects/contracts performed	Revenue (\$\$'000)	% of revenue (%)	Number of projects/contracts performed	Revenue (\$\$'000)	% of revenue (%)
Gas pipeline	9	7,433	98.0	10	8,361	64.9
Water pipeline	10	142	1.9	8	4,481	34.7
Cable installation	1	11	0.1	3	47	0.4
Total	<u>20</u>	<u>7,586</u>	<u>100.0</u>	<u>21</u>	<u>12,889</u>	<u>100.0</u>

Revenue of the Group has decreased by approximately S\$5.3 million from approximately S\$12.9 million in 1H2020 to approximately S\$7.6 million in 1H2021 due to the following:

- (i) Decrease in revenue from gas pipeline projects by approximately S\$0.9 million;
- (ii) Decrease in revenue from water pipeline projects by approximately S\$4.3 million;
- (iii) Decrease in revenue from cable installation projects by approximately S\$36,000.

The decrease in revenue from the gas pipeline projects by approximately S\$0.9 million was due to the temporary closure of the Group’s headquarter during the Suspension Period, whereby the Group was unable to deploy its manpower to its existing project jobsites.

The decrease in revenue from the water pipeline projects by approximately S\$4.3 million was due to (i) the substantial completion of project brought forward from previous years; (ii) the temporary closure of the Group’s headquarters during the Suspension Period, whereby the Group was unable to deploy its manpower to its existing project jobsites; and (iii) two new water pipeline projects which commenced in September 2020 and thus, the revenue can only be recognised at a subsequent period.

The decrease in revenue relating to cable installation project by approximately S\$36,000 was mainly attributable to the (i) the completion of project for grid-tied solar photovoltaic system; and (ii) the temporary closure of the Group's headquarters during the Suspension Period, whereby the Group was unable to deploy its manpower to its existing project jobsites.

Cost of Sales

Our cost of sales decreased by approximately S\$2.1 million or 19.2% from approximately S\$11.0 million in 1H2020 to approximately S\$8.9 million for 1H2021. The decrease in cost of sales was mainly attributable to the temporary closure of the Group's headquarter during the Suspension Period, whereby the Group was unable to deploy its manpower to its existing project jobsites.

Gross Loss/Profits and Gross Loss/Profit Margins

Gross loss of the Group for 1H2021 amounted to approximately S\$1.3 million, as compared to the gross profit amounted to approximately S\$1.9 million for 1H2020.

The gross loss margin of the Group for 1H2021 was 17.1%, representing a decrease of approximately 31.5% from gross profit margin of 14.4% for 1H2020. The decrease is mainly due to (i) the temporary closure of the Group's headquarter during the Suspension Period, whereby the Group was unable to deploy its manpower to its existing project jobsites; (ii) the Group incurred ongoing costs such as project manpower and depreciation; (iii) the decrease in revenue; and (iv) a project for supply and lay of gas mains and renewal services incurred additional costs towards the completion stage.

Other Income

Other income increased by approximately S\$1.1 million from approximately S\$0.4 million in 1H2020 to approximately S\$1.5 million in 1H2021, mainly attributable to government grants in view of the COVID-19 pandemic through Job Support Scheme, foreign worker levy rebates and Wage Credit Scheme amounted to approximately S\$1.1 million.

Other Gains/(Losses), net

Decrease in other gains/(losses) is mainly attributable to the write-off of a machinery and equipment which was damaged when carrying out the project for pipe jacking.

Administrative Expenses

The Group recorded administrative expenses amounting to approximately S\$2.5 million (1H2020: approximately S\$2 million). The increase was mainly due to (i) additional cost incurred for security assistance to look after our foreign workers at our headquarters of approximately S\$0.1 million; and (ii) stamp duty fee incurred for the purchase of new property of approximately S\$0.4 million.

Income Tax Expense

The Group has not incurred income tax for 1H2021 (1H2020: S\$177,000).

Loss/Profit and total comprehensive loss/income for the Period

Loss and total comprehensive loss for 1H2021 amounted to approximately S\$2.9 million, representing a decrease of approximately S\$3.2 million from profit and total comprehensive income of the Group of approximately S\$0.3 million for 1H2020.

Property, Plant and Equipment

Property, plant and equipment decreased by approximately S\$1.1 million due to additions of approximately S\$0.4 million, offset by (i) net book value write-off of a machinery and equipment of approximately S\$0.4 million; and (ii) depreciation of approximately S\$1.1 million. The additions of property, plant and equipment include new machineries used for the subsidiary's operations.

Trade and Other Receivables

The Group's trade and other receivables decreased by approximately S\$2.8 million from approximately S\$5.5 million as at 31 March 2020 to approximately S\$2.7 million for 1H2021. The decrease is mainly attributable to the timing of billings and settlements as at 30 September 2020.

Contract Assets/(Liabilities)

Contract asset decreased by approximately S\$9.0 million from approximately S\$14.0 million as at 31 March 2020 to approximately S\$5.0 million for 1H2021 is mainly attributable to higher amount of work orders certified, thus contributing to high amount of billing raised.

Contract liability decreased by approximately S\$41,000 from approximately S\$447,000 as at 31 March 2020 to approximately S\$406,000 for 1H2021 is mainly attributable to substantial completion of certain projects which are in the stage of final claims.

Trade and Other Payables

Trade and other payables decreased by approximately S\$1.2 million from approximately S\$4.0 million as at 31 March 2020 to approximately S\$2.8 million for 1H2021 mainly due to the timing of supplier's billings and settlements as at 30 September 2020.

Term loan

Term loan increased by approximately S\$9.9 million from approximately S\$0.4 million as at 31 March 2020 to approximately S\$10.3 million as at 30 September 2020. The increase was mainly attributable to (i) a new term loan arising from the purchase of new property to be the Group's new headquarters of approximately S\$5.0 million; and (ii) a new temporary bridging loan which was introduced by the Singapore Government in the Solidarity Budget 2020, which provides access to working capital for business needs, of approximately S\$5.0 million.

Hire Purchase Liabilities

Hire purchase creditors decreased by approximately S\$0.3 million from approximately S\$0.9 million as at 31 March 2020 to approximately S\$0.6 million as at 30 September 2020 due to additions of machinery during the period of approximately S\$0.3 million, and mitigated by repayments of approximately S\$0.6 million.

Liquidity and Financial Resources

The Group finances its daily operations through a combination of internally-generated funds from operations, borrowings and net proceeds from the share offer in year 2019.

As at 30 September 2020, the Group maintained a healthy liquidity position with net current asset balance and net cash and bank deposits of approximately S\$21.4 million (31 March 2020: S\$26.9 million) and S\$19.7 million (31 March 2020: S\$15.7 million) respectively. The Group's gearing ratio (calculating by total interest-bearing debt over total equity) as at 30 September 2020 was 48.4%, increase of 44.3% from 4.1% as at 31 March 2020. The increase in gearing ratio is mainly due to (i) a new term loan arising from the purchase of new property to be the Group's new headquarters; and (ii) a new temporary bridging loan which was introduced by the Singapore Government in the Solidarity Budget 2020, which provides access to working capital for business needs.

Capital Structure

The Group manages its capital to ensure that it will be able to continue as going concern while maximising the return to shareholders through the optimisation debt and equity balance. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities, hire purchase liabilities and bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, reserves and retained earnings.

The management reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Management regularly monitors compliance with the financial covenants imposed by financial institutions for the facilities granted to the Group. As at the end of the reporting period, the Group is in compliance with externally imposed financial covenants requirements.

Interim Dividend

The Board has resolved not to declare any interim dividend for 1H2021 (1H2020: Nil).

Employees and Remuneration Policies

As at 30 September 2020, the Group had a total of 284 employees. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries, bonus and allowances.

Use of Listing Proceeds

The total net proceeds raised from the Listing (the "**Net Proceeds**") received by the Company, after deducting related listing expenses, were approximately HK\$90.2 million (approximately S\$15.7 million). Please refer to the Prospectus for more details.

Set out below are details of the allocation of the Net Proceeds, the utilised and unutilised amounts of Net Proceeds as at 30 September 2020:

Use of Net Proceeds	Planned use of net proceeds S\$'000	Utilised for the six months ended 30 September 2020 S\$'000	Utilised from Listing up to 31 March 2020 S\$'000	Total remaining net proceeds available as at 30 September 2020 S\$'000	Expected timeline for utilising the remaining proceeds (Note 1)
(a) Relocate to a new property to be acquired to be used as our new office, foreign worker dormitory and warehouse for our machinery (Note 2)	9,368	7,938	1,430	—	N/A
(b) Purchase two pipe jacking machines (Note 3)	4,896	—	—	4,896	Before 31 December 2021
(c) Working capital	1,428	—	1,428	—	N/A
	<u>15,692</u>	<u>7,938</u>	<u>2,858</u>	<u>4,896</u>	

The Net Proceeds were used and expected to be used according to the intentions previously disclosed in the Company's prospectus date 14 March 2019 (the "**Prospectus**"). As at the date of this report, there were no changes of business plan from that disclosed in the Prospectus.

Note 1: The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subjected to change based on current and future development of market conditions.

Note 2: As at 30 September 2020, the Group has completed the purchase of new property. However, the Group has yet to relocate to the new property due to the current COVID-19 pandemic which had affected the previous owner to be unable to vacate and hence, causing the delay in the new property to be ready for the Group's use. As of the date of this report and in view of the current COVID-19 pandemic, the Group has agreed to extend the previous owner's tenancy at the new property until December 2020. Upon which, the renovation will commence and the Group will relocate when it is ready for use. The Group has managed to obtain a short-term extension from the authorities on the current lease of its property at 36 Sungei Kadut Avenue Singapore 729661, until 31 July 2021 (previously the expiry of lease was on 31 October 2020).

Note 3: As at 30 September 2020, the Group has yet to acquire the pipe jacking machines as the Group has been tendering but not awarded with projects that require the use of certain models of pipe jacking machines as mentioned in the Prospectus. Furthermore, based on the current economic development, the available tenders, the ongoing and potential projects and the overall cost versus benefit, the proceeds in relation to purchase of two pipe jacking machines will be postponed and expected to be utilised before 31 December 2021. The Group will continue to actively participate in available tenders that require the use of the pipe jacking machines.

Material Acquisition and Disposal Of Subsidiaries And Associates And Joint Ventures

During the six months ended 30 September 2020, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Significant Investment Held

During the six months ended 30 September 2020, the Group held no significant investment.

Charges on Assets

As at 30 September 2020, carrying amount of plant and machinery and motor vehicles held under hire purchase loan were S\$784,000 (31 March 2020: S\$2,790,000). The carrying amount of investment properties mortgaged for bank borrowings was S\$15,320,000 (31 March 2020: S\$1,020,000).

Contingent Liabilities

As at 30 September 2020, the Group had no significant contingent liabilities.

Event After the Reporting Period

Reference is made to the announcements of the Company dated 12 August 2020, 11 September 2020, 12 October 2020 and 28 October 2020. On 28 October 2020, completion of the placing of 150,000,000 Shares (the “**Placing Shares**”) by China Tonghai Securities Limited (the “**Placing Agent**”) on behalf of Astute Prosper Limited (the “**Vendor**”) on the terms and subject to the conditions pursuant to the placing agreement dated 12 August 2020 took place (the “**Placing**”) and the Placing Shares, representing approximately 16.31% of the existing issued share capital of the Company, were placed out on a best effort basis by the Placing Agent to not less than six places at the price of HK\$1.00 per Placing Share.

Save as disclosed above, the Directors are not aware of any significant event which had material effect on the Group subsequent to 30 September 2020 and up to the date of this interim report.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listings of Shares on the Stock Exchange (the “**Listing Rules**”) as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries to all Directors, all Directors of the Company confirms that they have fully complied with the relevant requirements set out in its own code of conduct throughout the six months ended 30 September 2020.

Compliance with Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Summary of deviation of the CG Code:

Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Michael Shi Guan Wah is the Joint Chairman of the Board and the Chief Executive Officer. With extensive experience in the infrastructural pipeline engineering industry, the Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code since the date of the Annual Report 2020 of the Company and up to the date of this interim report. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Purchase, Sale or Redemption of any of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries has purchase, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2020.

Disclosure of Information on Directors

Reference is made to the announcement dated 21 September 2020 in relation to the (i) resignation of executive Director; (ii) re-designation of non-executive director to executive director; (iii) appointment of independent non-executive Director and an additional member of audit committee; (iv) change of company secretary, authorised representatives and process agent; and (v) change of principal place of business in Hong Kong.

Mr. Shi Guan Lee resigned as an executive Director of the Company with effect from 21 September 2020.

Ms. Feng Jiamin has been re-designated from a non-executive Director to an executive Director with effect from 21 September 2020.

Mr. Tong Wing Chi has been appointed as an independent non-executive Director and an additional member of the Audit Committee with effect from 21 September 2020.

Reference is made to the announcement dated 30 October 2020 in relation to the appointment of joint chairmen.

Mr. Michael Shi Guan Wah and Ms. Feng Jiamin, both are executive Directors, have been appointed as joint chairmen of the Board.

Reference is made to the announcement dated 11 November 2020 in relation to the (i) resignation of director; (ii) appointment of directors; and (iii) changes in composition of board committees.

Mr. Shi Hong Sheng (Xu Hongsheng) has tendered his resignation as an executive Director and a member of the Remuneration Committee.

Mr. Lok Ka Ho has been appointed as an executive Director.

Mr. Qiu Yue has been appointed as an independent non-executive Director, and an additional member of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Mr. Shek Jun Chong has been appointed as an independent non-executive Director, and an additional member of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review by Audit Committee

The interim results of the Company for the six months ended 30 September 2020 have not been audited by the Company's independent auditors. The audit committee of the Company has reviewed the unaudited interim results for the six months ended 30 September 2020 including the interim report and discussed with the management of the Company and is of the view that such financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made with no disagreement by the audit committee of the Company.

Publication of the Results Announcement and Interim Report

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pipeline-engineering-holdings.com), and the interim report of the Company for the six months ended 30 September 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Pipeline Engineering Holdings Limited
Michael Shi Guan Wah and Feng Jiamin
Joint Chairmen

Hong Kong, 30 November 2020

As at the date of this announcement, the Board comprises Mr. Michael Shi Guan Wah, Ms. Feng Jiamin and Mr. Lok Ka Ho as executive directors; Mr. Cher Choong Kiak, Mr. Chiam Soon Chian (Zhan Shunquan); Mr. Choo Chih Chien Benjamin, Mr. Tong Wing Chi, Mr. Shek Jun Chong and Mr. Qiu Yue as independent non-executive directors.