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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

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 annual results of the Group for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018, which have been reviewed by the audit committee of the Company (the "**Audit Committee**"), and have been approved by the Board on 26 June 2019.

Financial Summary

	2019	2018
	S$'000	*S$'000*
Revenue from contracts with customers	**30,211**	23,419
Gross profit	**7,776**	7,398
Profit before income tax	**1,760**	5,281
Profit and total comprehensive income for the year	**684**	4,498
Adjusted profit and total comprehensive income for the year (excluding listing expenses)[(1)]	**4,489**	4,498
Earnings per share for profit attributable to the shareholders of the Company (expressed in Singapore cents per share):		
— Basic earnings per share	**0.10**	0.65
— Diluted earnings per share	**0.10**	0.65

Note (1):

The adjusted profit and total comprehensive income for the year (excluding listing expenses) is a non-IFRS disclosure and is for illustration purpose only.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	**2019** **S$'000**	2018 S$'000
Revenue from contracts with customers	4	**30,211**	23,419
Cost of sales		**(22,435)**	(16,021)
Gross profit		**7,776**	7,398
Other income	5	**600**	495
Other losses, net	6	**(35)**	(218)
Administrative expenses		**(6,530)**	(2,283)
Finance costs	7	**(51)**	(36)
Fair value loss on investment properties		**—**	(75)
Profit before income tax		**1,760**	5,281
Income tax expense	8	**(1,076)**	(783)
Profit and total comprehensive income for the year attributable to owners of the Company		**684**	4,498
Earnings per share for profit attributable to owners of the Company during the year (expressed in Singapore cents per share)			
Basic and diluted	9	**0.10**	0.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 S$'000	2018 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**9,651**	8,348
Intangible asset		**77**	—
Investment properties		**1,020**	3,475
Contract assets	11	**—**	31
		10,748	11,854
Current assets			
Inventories		**—**	205
Trade and other receivables	10	**1,989**	4,835
Contract assets	11	**17,166**	6,183
Fixed deposit		**100**	—
Cash and cash equivalents		**19,843**	6,153
		39,098	17,376
Total assets		**49,846**	29,230
EQUITY AND LIABILITIES			
Equity			
Share capital		**1,589**	1,500
Share premium		**17,138**	—
Merger reserve		**1,500**	—
Retained profits		**15,408**	14,724
		35,635	16,224
Current liabilities			
Trade, other payables and accruals	12	**5,943**	2,275
Contract liabilities	11	**2,196**	1,168
Amounts due to directors		**—**	753
Finance lease liabilities	14	**1,093**	26
Bank borrowings	13	**2,101**	98
Dividends payable		**—**	6,000
Current income tax liabilities		**909**	1,389
		12,242	11,709

	Note	2019 S$'000	2018 S$'000
Non-current liabilities			
Deferred income tax		**1,144**	802
Finance lease liabilities	14	**432**	—
Bank borrowings	13	**393**	495
		1,969	1,297
Total liabilities		**14,211**	13,006
Total equity and liabilities		**49,846**	29,230

NOTES

1. General information and reorganisation

1.1 General information

Pipeline Engineering Holdings Limited (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 of The Stock Exchange of Hong Kong Limited (the "**Main Board**") 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 Company and its subsidiaries (the "**Group**") are 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 consolidated financial statements are presented in Singapore dollars ("**S$**"), unless otherwise stated.

The consolidated financial statements have been approved by the Board of Directors on 26 June 2019.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the principal activities were carried out by HSC Pipeline Engineering Pte Ltd ("**HSC Pipeline**" or "**Operating Company**"), a company incorporated in Singapore. HSC Pipeline is controlled by Mr. Michael Shi Guan Wah (the "**Controlling Shareholder**").

In preparation for listing of the Company's shares on the Main Board, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

(i) On 10 May 2018, Ms. Oh Lay Guat, ("**Ms. Oh**") transferred one share of HSC Pipeline, representing all her shareholding interest in HSC Pipeline to the Controlling Shareholder for S$1.

(ii) On 17 July 2018, the Company, which act as the holding company of the companies comprising the Group, was incorporated as an exempted company in the Cayman Islands. As at the date of incorporation, the Company had an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which one nil-paid share was allotted and issued to the initial subscriber and subsequently transferred to Astute Prosper Holding Limited ("**APL**", a company incorporated in the British Virgin Islands ("**BVI**") with limited liability on 11 April 2018, which is wholly-owned by the Controlling Shareholder) on the same date. On 13 August 2018 and 22 August 2018, the Company passed a special resolution to change its name from "APL" to "Pipeline Technologies Holdings Limited", and from "Pipeline Technologies Holdings Limited" to "Pipeline Engineering Holdings Limited", respectively.

(iii) On 10 July 2018, Integral Virtue Limited ("**Integral Virtue**") was incorporated in the BVI with limited liability, and on the same date, Integral Virtue was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. On 1 August 2018, one share of Integral Virtue was allotted and issued to the Company for the consideration of US$1.00.

(iv) On 14 February 2019, the Controlling Shareholder and the Company entered into a sale and purchase agreement, pursuant to which, the Controlling Shareholder transferred his entire shareholding interest in HSC Pipeline to the Company's nominee, Integral Virtue. The consideration is settled by the Company allotting and issuing 99 shares in the share capital to APL credited as fully paid at the direction of the Controlling Shareholder and crediting the initial Share held by APL as fully paid.

After the completion of the reorganisation steps as described above, the Company became the holding company of HSC Pipeline and the subsidiaries now comprising the Group.

1.3 Basis of presentation

Immediately before and after the Reorganisation, the Company and its subsidiaries were controlled by Mr. Michael Shi Guan Wah as the controlling shareholder. The transactions as described in Note 1.2 above are merely a reorganisation of the Listing Business with no change in management and the controlling shareholder of the Listing Business remains the same. Accordingly, the consolidated financial statements of the Company and the Listing Business have been presented using the historical carrying values of the assets and liabilities of the Listing Business as if the current group structure had been in existence since 1 April 2017.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years and period presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the Group's accounting policies.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 April 2018, are consistently applied to the Group throughout the financial year including:

(i) IFRS 9

IFRS 9, "Financial instruments", addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses ("**ECL**") model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL where the simplified approach is adopted. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The Group has already early adopted IFRS 9 in previous financial year beginning 1 April 2015.

The Group has the following financial assets subject to the expected credit loss impairment model under IFRS 9:

- trade receivables and contract assets recognised under IFRS 15;

- other receivables at amortised cost.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime credit loss provision for trade and other receivables and contract assets. To measure the expected credit losses, trade and other receivables and contract assets have been grouped based on shared credit risk, characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data. The Group assessed the expected credit loss rate to be negligible based on the historical loss rates for all categories of customers and adjusted for forward-looking macroeconomic data. Thus, the implementation of IFRS 9 is not expected to result in any significant impact on the amounts reported in respect of the Group's financial performance and position.

(ii) IFRS 15

IFRS 15, "Revenue from contracts with customers", establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue and IAS 11 Construction Contracts and the related Interpretations on revenue recognition. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements. The Group has already early adopted IFRS 15 in previous financial year beginning 1 April 2015.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The following are standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2019, but have not been early adopted by the Group.

		Effective for accounting periods beginning on or after	*Note*
Amendment to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements 2015–2017 Cycle	1 April 2019	
IFRS 16	Leases	1 April 2019	*i*
IFRIC-Int 23	Uncertainty over Income Tax Treatments	1 April 2019	
Amendment to IAS 28	Investment in Associates and Joint Ventures	1 April 2019	
Amendment to IAS 19	Plan Amendment, Curtailment or Settlement	1 April 2019	
Amendment to IFRS 3	Definition of business	1 April 2020	
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 April 2020	
IAS 28 and IFRS 10 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Date to be determined by the IASB	

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards when they become effective. Management is in the process of assessing the impact of these new standards, amendments and interpretations to existing standards and set out below are the expected impact on the Group's financial performance and position.

Note i:

IFRS 16 "Leases" — The Group is a lessee of its various properties which are currently classified as operating leases.

IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated statements of financial position. Instead, all long-term leases must be recognised in the consolidated statements of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the consolidated statements of financial position. In the consolidated statements of profit or loss and other comprehensive income, lease will be recognised in the future as depreciation and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while depreciation and the interest expense will increase. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to be applied by the Group until the financial year ending 31 March 2020. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Given that the total non-cancellable operating lease commitments account for less than 1% of the total liabilities of the Group as at 31 March 2019, the Directors of the Company do not expect that the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial position. The Group also anticipates that the net impact (as a result of the combination of the interest expense arising from the lease liabilities and the amortisation of the right-to-use assets as compared to the rental expenses under existing standard) on the Group's financial performance will not be material.

As at 31 March 2019, the Group has aggregate minimum lease payments, which are not reflected in the consolidated statements of financial position, under non-cancellable operating lease of S$317,000. Of these commitments, approximately S$1,000 relate to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

The Group expects to recognise right-of-use assets and lease liabilities of approximately S$1,179,000 on 1 April 2019. Net current assets will be S$801,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately S$121,000 for 2019 as a result of adopting IFRS 16. Operating cash flows will increase and financing cash flows decrease by approximately S$923,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information. The Group intends to apply the practical expedient under this modified approach and not to reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. The Group also intends to adopt the practical expedient of not to apply the requirement of IFRS 16 to short-term leases (i.e. where lease term is 12 months or less) and to leases of low-value assets (including assets with a value of US$5,000 or less when new), in which case the rental expenses would continue to be recognised on a systematic basis over the lease terms.

Except as disclosed above, the Group is in the process of assessing potential impact of the other new standards and amendments to standards that is relevant to the Group upon initial application. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

3 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 4 below represented transactions with third parties and are reported to the executive directors in a manner consistent with that in the consolidated statements 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 years ended 31 March 2019 and 2018, respectively. Accordingly, no analysis by geographical basis for the financial year period is presented.

For the year ended 31 March 2019, there were three customers, which individually contributed over 10% of the Group's total revenue (2018: two). During the years ended 31 March 2019 and 2018, the revenue contributed from each of these customers was as follows:

	2019	2018
	S$'000	*S$'000*
Customer A	**10,132**	13,337
Customer B	**9,521**	7,047
Customer C	**4,672**	—

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.

4 Revenue from contracts with customers

	2019	2018
	S$'000	*S$'000*
Contract revenue relating to:		
Gas	**10,132**	13,337
Water	**13,793**	9,066
Cable	**6,286**	1,016
	30,211	23,419
Timing of revenue recognition:		
Over time	**30,211**	23,419

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

	2019	2018
	S$'000	*S$'000*
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied:		
Within 1 year after financial year period	**24,582**	15,609
Between 1 to 2 years after financial year period	**6,025**	4,245
More than 2 years after financial year period	**602**	754
	31,209	20,608

5 Other income

	2019	2018
	S$'000	*S$'000*
Rental income	**61**	185
Interest income	**—**	20
Government grants	**131**	153
Insurance claims	**21**	60
Sundry income	**100**	—
Others	**287**	77
	600	495

6 Other losses, net

	2019	2018
	S$'000	*S$'000*
Losses/(gains) on disposal of property, plant and equipment	**16**	(12)
Write off of property, plant and equipment	**11**	226
Foreign exchange losses	**8**	4
	35	218

7 Finance costs

	2019	2018
	S$'000	*S$'000*
Hire purchase	**37**	18
Bank borrowings	**14**	18
	51	36

8 Income tax expense

Tax has been provided at the applicable Singapore statutory corporate tax rate of 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 BVI respectively, and are exempted from tax (2018: Nil).

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

	2019	2018
	S$'000	*S$'000*
Tax expense attributable to profit is made up of:		
— Current income tax	**734**	810
— Deferred income tax	**342**	(27)
Income tax expense	**1,076**	783

9 Earnings per share

(a) Basic

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

	2019	2018
Profit attributable to owners of the Company *(S$'000)*	**684**	4,498
Weighted average number of ordinary shares in issue (thousands)	**693,151**	690,000
Basic earnings per share (Singapore cents)	**0.10**	0.65

The weighted average number of ordinary shares for the purpose of calculating basic earnings per shares has been determined on the assumption that the Reorganisation and capitalisation issue as described in Note 1.2 had been effective from 1 April 2017.

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares in issue. The number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2019 and 2018 based on the assumption that 690,000,000 ordinary shares of the Company are in issue and issuable, as if the Reorganisation was effective on 1 April 2017.

(b) Diluted

For the years ended 31 March 2019 and 2018, diluted earnings per share equals basic earnings per share as there was no dilutive potential shares.

10 Trade and other receivables

	2019	2018
	S$'000	*S$'000*
Trade receivables	**1,629**	3,141
Prepayments, deposits and other receivables:		
Deposits	**149**	118
Prepayments	**211**	1,555
Other receivables	**—**	21
	1,989	4,835

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:

	2019	2018
	S$'000	*S$'000*
1 to 30 days	**1,461**	1,459
31 to 60 days	**113**	655
61 to 90 days	**55**	102
91 to 120 days	**—**	—
Over 120 days	**—**	925
	1,629	3,141

The Group’s carrying amount of trade receivables has not been subject for impairment subsequent to a debt recovery assessment performance at the end of reporting date. The amount past due above 90 days in year ended 31 March 2018 is mainly pertaining to certain billings which the final settlement amount is still in negotiation with a customer. Those billings are currently being accounted for as deferred revenue and is included in contract liabilities. The management believes that the amounts that are past due are collectible, based on historic payment behaviour and credit-worthiness of the customers.

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

Historically, the Group’s loss arising credit risk relating to the customers are negligible as 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 0% for the years ended 31 March 2019 and 2018 respectively and no impairment loss is recognised at initial recognise. The Group has assessed expected credit loss by grouping the receivables based on shared credit risk characteristics. Accordingly, the Group is of the view that the expected credit loss rate to be consistent throughout the financial year, by taking into consideration of the track record of regular repayment of receivables from the customers over time and also the outlook of economic environment from the perspective of each financial year. The Group assessed that there were no significant change in the actual credit loss rate over the financial year.

11 Contract assets/(liabilities)

	2019	2018
	S$'000	*S$'000*
Contract costs incurred plus recognised profits less recognised losses	**159,390**	129,181
Less: progress billings	**(144,420)**	(124,135)
Balance at end of year	**14,970**	5,046
Analysed for reporting purposes as:		
Non-current		
Contract assets	**—**	31
Current		
Contract assets	**17,166**	6,183
Contract liabilities	**(2,196)**	(1,168)
	14,970	5,015
	14,970	5,046

Movements in contract liabilities:

	2019	2018
	S$'000	*S$'000*
At the beginning of the year	**1,168**	1,828
Billing to customers	**8,426**	3,251
Revenue recognised upon the provision of project works	**(7,398)**	(3,911)
	2,196	1,168

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.

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

	Note	**2019** **S$'000**	2018 *S$'000*
Contract assets			
— Non-current		**—**	31
— Current		**17,166**	6,183
Total contract assets	(i)	**17,166**	6,214
Contract liabilities			
— Current		**(2,196)**	(1,168)
Total contract liabilities	(i)	**(2,196)**	(1,168)

(i) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for some of the fixed-price contracts; whereas in turn, increase in contract liabilities is due to more billing has been made in advance to the customers for services to be provided subsequent to the financial year.

As at 31 March 2019, retention receivables for contract works amounted to S$558,000 (2018: S$397,000) is 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.

12 Trade, other payables and accruals

	2019	2018
	S$'000	*S$'000*
Trade payables	**1,991**	1,773
Other payables		
— Goods and services tax payables	**74**	209
— Advances received from customers	**6**	26
— Sundry creditors	**2,017**	14
Accrued expenses	**317**	83
Accrual for trade related cost	**788**	—
Accrual for employee benefit expenses	**750**	170
	5,943	2,275

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

	2019	2018
	S$'000	*S$'000*
0 to 30 days	**1,017**	957
31 to 60 days	**739**	344
61 to 90 days	**216**	317
Over 90 days	**19**	155
	1,991	1,773

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

13 Bank borrowings

	2019	2018
	S$'000	*S$'000*
Non-current, secured		
Bank borrowings		
— Repayable later than 1 year and no later than 2 years	**103**	101
— Repayable later than 2 years and no later than 5 years	**290**	319
— Repayable later than 5 years	**—**	75
	393	495
Current, secured		
Bank borrowings		
— Repayable no later than 1 year	**101**	98
— Repayable on demand	**2,000**	—
Total bank borrowings	**2,494**	593

The carrying amounts of the Group's borrowings approximate their fair values and are denominated in Singapore Dollar.

Bank borrowings are separately secured by legal mortgage of an existing leasehold property, investment property and joint and several personal guarantee by Michael Shi Guan Wah and Shi Guan Lee. The personal guarantees by Michael Shi Guan Wah and Shi Guan Lee shall be released upon Listing and replaced by the corporate guarantee by the Company.

14 Finance lease liabilities

The Group leases certain property, plant and equipment from third parties under finance leases. As at 31 March 2019 and 2018, the Group's finance leases were repayable as follows:

	2019	2018
	S$'000	*S$'000*
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**1,123**	26
Later than 1 year and no later than 2 years	**435**	—
	1,558	26
Future finance charges on finance leases	**(33)**	—
Present value of finance lease liabilities	**1,525**	26

The present value of finance lease liabilities is as follows:

	2019	2018
	S$'000	*S$'000*
No later than 1 year	**1,093**	26
Later than 1 year and no later than 2 years	**432**	—
Total	**1,525**	26

Effective interest rates on the finance leases bears interest between 2.59% and 6.14% per annum during the year ended 31 March 2019 (2018: 2.54% and 6.14% per annum).

EVENTS AFTER THE BALANCE SHEET DATE

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 March 2019.

MANAGEMENT DISCUSSION & ANALYSIS

Industry Overview

The infrastructural pipeline market in Singapore remained relatively stable for the year ended 31 March 2019, with no material adverse change in the general economic and market conditions in Singapore or the industry in which we operated that had materially or adversely affected or would affect the business operations or financial condition.

Business Review and Prospect

The core business and revenue structure of the Group has remained unchanged for the year ended 31 March 2019. The Group's operations are located in Singapore and our 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.

Our business strategies remained unchanged. Since the listing of the Company, the management has continuously consolidated and strengthened the reputation of the Group through submission of tender invitation to keep our presence in the market. Leveraging our listing status, our core business continued to earn good reputation and provided the Group with sound track record for potential business opportunities. Subsequent to the year ended 31 March 2019, the Group has secured new project, together with the ongoing projects in hand, our revenue could be sustained for the next financial year.

Looking forward, the Group will continue to focus on strengthening the market position in the building and construction industry in Singapore. Leveraging the competitive advantages in terms of credibility and visibility in the pipeline engineering and construction industry upon listing of the Company, the Board expects that the Group is well-positioned for the challenges and competition ahead, and aims to deliver satisfactory return to shareholders.

Ongoing Projects

As at 31 March 2019, the Group had 6 ongoing gas pipeline projects, 6 water pipeline projects, 3 ongoing cable installation projects with an aggregated contract sum of approximately S$69.9 million, of which approximately S$38.7 million has been recognised as revenue as at 31 March 2019. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

The management considered that all of the ongoing projects were on schedule and none of which would cause the Group to indemnify the third parties and incur any contingent liabilities as at 31 March 2019.

Financial Review

Year ended 31 March 2019 ("**FY2019**") compared to Year ended 31 March 2018 ("**FY2018**").

Revenue

The following table sets for the breakdown of the Group's revenue, the number of projects/contracts performed and the percentage contribution to total revenue for the years ended 31 March 2019 and 2018.

	For the year ended 31 March					
	2019			2018		
	Number of projects	**Revenue** *(S$'000)*	**% of revenue** *(%)*	Number of projects	Revenue *(S$'000)*	% of revenue *(%)*
Gas pipeline	**7**	**10,132**	**33.5**	16	13,337	56.9
Water pipeline	**6**	**13,793**	**45.7**	8	9,066	38.7
Cable installation	**7**	**6,286**	**20.8**	4	1,016	4.4
Total	**20**	**30,211**	**100.0**	28	23,419	100.0

Our revenue increased by approximately S$6.8 million from S$23.4 million to S$30.2 million is a combined effort of the following:

1.) Increase in revenue in the cable installation by approximately S$5.3 million;
2.) Increase in revenue in the water pipeline by approximately S$4.7 million; and
3.) Decrease in revenue in the gas pipeline by approximately S$3.2 million.

The increase in revenue in the cable installation projects by S$5.3 million was due to increase in revenue recognised for supply and installation of solar panels ("**Solar Project**") of approximately S$1.5 million from a private customer and for a cable project ("**Cable Project**") from a private power utility customer of S$4.7 million; partially net off by a reduction of revenue recognised for a manhole construction, pipe and duct installation and road reinstatement works project of approximately S$0.5 million. The Solar Project and Cable Project were secured in the 4th quarter of FY2018 and a substantial amount of works was commenced in FY2019.

The increase in revenue in the water pipeline projects by S$4.7 million was mainly attributable to (i) an increase in revenue recognised for a water main repairs project from a public water utility customer of approximately S$4.3 million, (ii) an increase in revenue recognised for the proposed engineering, procurement, construction and commission of pipe reticulation works project of approximately S$1.3 million, (iii) an increase in revenue recognised for the proposed 1600mm diameter pipeline installation project of approximately S$1.1 million by a private customer, and partially set-off by a decrease in revenue recognised for the proposed 800mm diameter pipeline installation project of approximately S$1.9 million.

The decrease in revenue in the gas pipeline projects by S$3.2 million was mainly attributable to decrease of a gas transmission pipeline and facilities project of approximately S$2.1 million and a decrease of a supply, laying and installation of gas mains and services and decommissioning of existing live gas mains of approximately S$1.1 million.

Costs of Sales

Our costs of sales increased by approximately S$6.4 million, in line with the increase in Revenue.

Gross Profits and Gross Profit Margins

Gross profits increased by approximately S$378,000 from S$7.40 million to S$7.78 million.

Gross profits margin decreased by approximately 5.9% from 31.6% to 25.7% is a combined effort of the following:

1.) Decrease in Gross Profit Margin for gas pipeline from 32.3% to 29.7%;
2.) Decrease in Gross Profit Margin for water pipeline from 32.3% to 28.7%; and
3.) Decrease in Gross Profit Margin for cable installation from 15.6%to 12.9%.

The decrease in gross profit margin for gas pipeline projects of approximately 2.6% from 32.3% in FY2018 to 29.7% in FY2019 is mainly attributable to the decrease in higher margin projects with gross profit margins of 31% to 33% that were recognised in FY2018, against revenue recognised, with gross profit margins between 24% to 30%.

The decrease in gross profit margin for water pipeline of approximately 3.6% from 32.3% in FY2018 to 28.7% in FY2019 is mainly attributable to a decrease in gross profits contribution from a project with a high gross profit margin of 52%, which was substantially completed in FY2018.

The decrease in gross profit margin for cable installation projects of approximately 2.7% from 15.6% in FY2018 to 12.9% in FY2019 is mainly attributable to gross profits contributed by the Solar Project which has a gross profit margin of 8%.

Other Income

Other income increased by approximately S$105,000 from S$495,000 to S$600,000 is mainly attributable to the increase in sundry income.

Other Losses, net

Other losses, net decreased by approximately S$183,000 from S$218,000 in FY2018 to S$35,000 in FY2019 is mainly due to a decrease in the write off of property, plant and equipment.

Administrative Expenses

Administrative expenses increased by approximately S$4.2 million from S$2.3 million to S$6.5 million, primarily due to a one-off listing expenses of S$3.8 million.

Income Tax Expense

Income tax expenses increased by approximately S$293,000 from S$783,000 to S$1.1 million, against a backdrop in the decrease of profit before tax of approximately S$3.5 million from S$5.3 million to S$1.8 million. This is due to an increase in expenses that are not deductible for tax purposes of approximately S$824,000. These non-deductible expenses are one-off listing expenses incurred by the Group.

Profit for the Year

Profit for the year decreased by approximately S$3.8 million from S$4.5 million in FY2018 to S$0.7 million in FY2019 is mainly attributable to listing expenses incurred by the Group for the successful listing on the Main Board on 27 March 2019.

Adjusted profit for the year excluding listing expenses decreased marginally by S$9,000 is mainly due to increase in gross profits of approximately S$378,000; an increase in other income of approximately S$105,000; a decrease in other losses of approximately S$183,000 and a decrease in fair value loss on investment properties of approximately S$75,000; set off by an increase in administrative expenses (excluding listing expenses) of S$442,000 and an increase in income tax expenses of S$293,000.

Property, Plant and Equipment

Property, plant and equipment increased by approximately S$1.3 million due to additions of approximately S$3.3 million, set off by depreciation of approximately S$1.9 million, disposal of property plant and equipment of S$94,000, plant and equipment written off of S$11,000. The purchase of property, plant and equipment are mainly new machinery for the Group's subsidiary's operations.

Trade and Other Receivables

The Group's trade and other receivables decreased by approximately S$2.8 million from S$4.8 million as at 31 March 2018 to S$2.0 million as at 31 March 2019. The decrease is mainly attributable to the decrease in prepayments, due to a one-off, non-recurring advanced prepayments to our supplier of approximately S$1.4 million and trade receivables written off of approximately S$1.6 million from one of our customers.

Trade and Other Payables

Trade and other payables increased by approximately S$3.6 million from S$2.3 million as at 31 March 2018 to S$5.9 million as at 31 March 2019 mainly due to increase in sundry creditors of approximately S$2.0 million, increase in accrued expenses of approximately S$1.0 million and increase in accruals for employee benefit expenses of approximately S$580,000.

Bank Borrowings

Bank borrowings increased by approximately S$1.9 million from S$593,000 as at 31 March 2018 to S$2.5 million as at 31 March 2019. The increase is mainly attributable to a newly drawn down of loan facility for working capital purpose.

Finance Lease Liabilities

Finance lease liabilities increased by approximately S$1.5 million from S$26,000 as at 31 March 2018 to S$1.5 million as at 31 March 2019 is due mainly to additions of machinery in FY2019 which is bought under hire purchase.

Current Assets, Capital Structure, and Gearing Ratio

The Group maintained a healthy liquidity position with net current asset balance and net cash of approximately S$26.9 million (as at 31 March 2018: S$5.7 million) and S$19.8 million (31 March 2018: S$6.2 million) respectively as at 31 March 2019. The Group's gearing ratio (calculating by dividing total interest-bearing debt by total equity) as at 31 March 2019 was 11.3%, an increase of 7.5% from 3.8% as at 31 March 2018. The increase in gearing ratio was due mainly to the increase in bank borrowings and financial lease liabilities incurred in FY2019.

Foreign Exchange Exposure

For the year ended 31 March 2019, the headquarters and principal place of business of the Group is in Singapore with our revenue and costs of sales mainly denominated in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries.

However, as the Group have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 March 2019, the Group retains most of the listing proceeds from the share offer denominated in Hong Kong dollars amounting to approximately S$19.3 million that are exposed to fluctuations in foreign exchange rate risks. The Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the year ended 31 March 2019, the Group has not entered into any agreement or commit to any financial instruments to hedge any exchange rate exposure.

Employees and Remuneration Policies

As at 31 March 2019, the Group had a total of 302 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 shares of the Company were listed on the Main Board on 27 March 2019 for which the Company issued 230,000,000 new shares. The net listing proceeds from the share offer received by the Company, after deducting related listing expenses, were approximately HK$90.2 million (approximately S$15.7 million), out of which none has been utilised as at 31 March 2019.

The future plan and scheduled use of proceeds were based on the best estimation of future market conditions made by the Group, while the proceeds were applied with consideration of the actual development of business and market. As of 31 March 2019, the Group does not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed with licensed bank in Singapore and Hong Kong.

	Use of net proceeds	**Total net proceeds received** *(S$'000)*	**Utilised as at 31 March 2019** *(S$'000)*	**Total remaining net proceeds available as at 31 March 2019** *(S$'000)*
(a)	Relocate to a new property to be acquired to be used as our new office, foreign worker dormitory and warehouse for our machinery	9,368	—	9,368
(b)	Purchase two pipe jacking machines	4,896	—	4,896
(c)	Working capital	1,428	—	1,428
	Total	15,692	—	15,692

Material Acquisition and Disposal of Subsidiaries and Associates and Joint Ventures

Since Listing Date and up to 31 March 2019, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Significant Investment Held

During the year ended 31 March 2019, the Group held no significant investment.

Charges on Assets

As at 31 March 2019, plant and machinery and motor vehicles held under finance leases were S$2,435,000 (2018: S$300,000). The net book amount of investment property mortgaged for bank borrowings was S$1,020,000 (2018: S$1,020,000).

Contingent Liabilities

As at 31 March 2019, the Group had no significant contingent liabilities.

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 since the Listing Date and up to 31 March 2019.

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. 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 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 three 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 Listing Date and up to the date of this announcement. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Purchase, Sale or Redemption of the Listed Securities

Since the Listing Date and up to the date of this announcement, neither the Company nor any of our subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Final Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019.

Audit Committee

The Audit Committee has discussed with management and reviewed the consolidated financial statements of the Group for the year ended 31 March 2019. The figures contained in the financial statements set out in page 2 to 22 of this announcement of the Group's results for the year ended 31 March 2019 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year as approved by the Board.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Board and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Publication of the Results Announcement and Annual 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 annual report for the year ended 31 March 2019 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
Chairman

Hong Kong, 26 June 2019

As at the date of this announcement, the Board comprises Mr. Michael Shi Guan Wah, Mr. Shi Guan Lee and Mr. Shi Hong Sheng (Xu Hongsheng) as executive directors; Mr. Cher Choong Kiak, Mr. Chiam Soon Chian (Zhan Shunquan) and Mr. Choo Chih Chien Benjamin as independent non-executive directors.