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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 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 consolidated audited results of the Group for the year ended 31 March 2020 ("**FY2020**"), together with the comparative figures for the year ended 31 March 2019 ("**FY2019**"), which have been reviewed by audit committee of the Company (the "**Audit Committee**"), and have been approved by the Board on 30 June 2020.

FINANCIAL SUMMARY

	2020	2019
	S$'000	*S$'000*
Revenue from contracts with customers	**27,284**	30,211
Gross profit	**4,423**	7,776
Profit before income tax	**1,853**	1,760
Profit and total comprehensive income for the year	**1,568**	684
Earnings per share for profit attributable to owners of the Company (expressed in Singapore cents per share)		
— Basic earnings per share	**0.17**	0.10
— Diluted earnings per share	**0.17**	0.10

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020**	2019
		S$'000	*S$'000*
Revenue from contracts with customers	4	**27,284**	30,211
Cost of sales	7	**(22,861)**	(22,435)
Gross profit		**4,423**	7,776
Other income	5	**703**	600
Other gains/(losses), net	6	**654**	(35)
Administrative expenses	7	**(3,864)**	(6,530)
Finance costs	9	**(63)**	(51)
Profit before income tax		**1,853**	1,760
Income tax expense	10	**(285)**	(1,076)
Profit and total comprehensive income for the year		**1,568**	684
Earnings per share for profit attributable to owners of the Company (expressed in Singapore cents per share)			
Basic and diluted	11	**0.17**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	**2020**	2019
		S$'000	*S$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**8,529**	9,651
Right-of-use assets		**268**	—
Intangible asset		**49**	77
Investment properties		**1,020**	1,020
Deposit	12	**1,854**	—
		11,720	10,748
Current assets			
Trade and other receivables	12	**3,596**	1,989
Contract assets	13	**13,925**	17,166
Fixed deposit		**100**	100
Cash and cash equivalents		**15,619**	19,843
		33,240	39,098
Total assets		**44,960**	49,846
EQUITY & LIABILITIES			
Share capital		**1,589**	1,589
Share premium		**17,138**	17,138
Merger reserve		**1,500**	1,500
Retained profits		**16,963**	15,408
Total equity		**37,190**	35,635
LIABILITIES			
Current liabilities			
Trade and other payables	14	**4,026**	5,943
Contract liabilities	13	**447**	2,196
Bank borrowings	15	**861**	3,194
Lease liabilities		**268**	—
Current income tax liabilities		**692**	909
		6,294	12,242

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2020

	Notes	2020	2019
		S$'000	*S$'000*
Non-current liabilities			
Deferred tax liabilities		**1,077**	1,144
Bank borrowings	15	**399**	825
		1,476	1,969
Total liabilities		**7,770**	14,211
Total equity and liabilities		**44,960**	49,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 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 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 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 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 30 June 2020.

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 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. 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 requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) *New standards, amendments to published standards, and interpretations effective in 2019*

The following new standards, amendments to published standards, and interpretations are mandatory for the Group's financial year beginning on or after 1 April 2019 and have been adopted in preparation of the consolidated financial information.

IFRS 16	Leases
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to IFRS Standards	Annual Improvements to IFRS Standards 2015 – 2017 Cycle
Interpretation 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the reporting period ended 31 March 2019, as permitted under the specific transitional provisions in the standard. This is disclosed in Note 2.2.

Most of the other amendments and interpretations listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *New standards and amendment to existing standards not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Change in accounting policies

IFRS 16 Leases

As indicated in Note 2.1 above, the Group has adopted IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The lessee's annual incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.58%.

(i) Measurement of lease liabilities

	S$'000
Operating lease commitments disclosed as at 31 March 2019	**317**
Discounted using the lessee's annual incremental borrowing rate at the date of initial application	**309**
Add: adjustments as a result of a different treatment of extension options	**343**
Lease liabilities recognised as at 1 April 2019	**652**
Of which are:	
Current lease liabilities	440
Non-current lease liabilities	212
	652

(ii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

The recognised right-of-use assets relate to the following types of assets:

	As at 1 April 2019 *S$'000*
Land	123
Buildings	516
	639

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

- right-of-use assets — increase by S$639,000
- lease liabilities — increase by S$652,000

The net impact on retained profits on 1 April 2019 was a decrease of approximately S$13,000.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 April 2019;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

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 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 years ended 31 March 2020 and 2019, respectively. Accordingly, no analysis by geographical basis for the financial year is presented.

For FY2020, there were two customers (2019: three), respectively, which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2020 and 2019, the revenue contributed from each of these customers was as follows:

	2020	2019
	S$'000	*S$'000*
Customer A	**19,809**	10,132
Customer B	**3,089**	9,521
Customer C	**N/A**	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

(a) Disaggregation of revenue from contracts with customers

	2020	2019
	S$'000	*S$'000*
Revenue from construction contracts relating to:		
— Gas	**21,414**	10,132
— Water	**5,729**	13,793
— Cable	**141**	6,286
	27,284	30,211
Timing of revenue recognition:		
Over time	**27,284**	30,211

(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 31 March 2020	As at 31 March 2019	As at 1 April 2018
	S$'000	*S$'000*	*S$'000*
Total contract assets	**13,925**	17,166	6,214
Total contract liabilities	**(447)**	(2,196)	(1,168)

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 31 March 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:

	2020	2019
	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	**16,393**	24,582
Between 1 to 2 years after financial year	**1,140**	6,025
More than 2 years after financial year	**10**	602
	17,543	31,209

(d) Trade receivables from contracts with customers

	As at 31 March 2020	As at 31 March 2019	As at 1 April 2018
	S$'000	*S$'000*	*S$'000*
Trade receivables from contracts with customers	**2,949**	1,629	3,141

5. Other income

	2020	2019
	S$'000	*S$'000*
Rental income	**33**	61
Interest income	**174**	—
Government grants	**86**	131
Insurance claims	**34**	21
Sundry income	**—**	100
Others	**376**	287
	703	600

6. Other gains/(losses), net

	2020	2019
	S$'000	*S$'000*
Losses on disposal of property, plant and equipment	**—**	(16)
Write off of property, plant and equipment	**—**	(11)
Foreign exchange gains/(losses)	**654**	(8)
	654	(35)

7. Expenses by nature

	2020	2019
	S$'000	*S$'000*
Material costs	**5,660**	6,276
Subcontractor costs	**3,891**	4,029
Transportation costs	**429**	560
Auditor's remuneration		
— Audit services	**185**	238
— Non-audit services	**5**	5
Entertainment expenses	**38**	23
Rental expenses	**437**	649
Depreciation of property, plant and equipment	**2,027**	1,913
Amortisation of intangible asset	**39**	35
Depreciation of right-of-use assets	**489**	—
Professional fees	**426**	165
Vehicle-related expenses	**913**	822
Repair and maintenance expenses	**786**	607
Employee benefit costs *(Note 8)*	**10,185**	8,247
Listing expenses	**—**	3,805
Other expenses	**1,215**	1,591
Total cost of sales and administrative expenses	**26,725**	28,965
Represented by:		
Cost of sales	**22,861**	22,435
Administrative expenses	**3,864**	6,530
	26,725	28,965

8. Employee benefit costs — including directors' emoluments

	2020	2019
	S$'000	*S$'000*
Wages and salaries	**9,829**	7,913
Employer's contribution to defined contribution plans	**356**	334
	10,185	8,247

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

	2020	2019
	S$'000	*S$'000*
Cost of sales	**8,107**	7,110
Administrative expenses	**2,078**	1,137
	10,185	8,247

9. Finance costs

	2020	2019
	S$'000	*S$'000*
Hire purchase	**40**	37
Lease liabilities	**12**	—
Bank borrowings	**11**	14
	63	51

10. Income tax expense

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 BVI respectively and are exempted from tax (2019: Nil).

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

	2020	2019
	S$'000	*S$'000*
Tax expense attributable to profit is made up of:		
In respect of current financial year		
— Current income tax	**413**	734
— Deferred income tax	**(67)**	342
	346	1,076
Over provision in respect of prior financial year		
— Current income tax	**(61)**	—
	285	1,076

11. Earnings per share

(a) Basic earnings per share

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.

	2020	2019
	S$'000	*S$'000*
Profit attributable to owners of the Company *(S$'000)*	**1,568**	684
Weighted average number of ordinary shares in issue *(thousands)*	**920,000**	693,151
Basic earnings per share *(Singapore cents)*	**0.17**	0.10

The weighted average number of ordinary shares for the purpose of calculating basic earnings per shares has been determined based on the assumption that the Reorganisation and capitalisation issue had been effective from 1 April 2018.

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue.

(b) Diluted

For FY2020 and FY2019, the diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares.

12. Trade and other receivables

	2020	2019
	S$'000	*S$'000*
Current		
Trade receivables	**2,949**	1,629
Prepayments, deferred expenses, deposits, and other receivables		
— Grant receivable	**190**	—
— Prepayments	**146**	211
— Deferred expenses	**170**	—
— Deposits	**141**	149
	3,596	1,989
Non-current		
Non-refundable deposit for purchase of property	**1,854**	—
	5,450	1,989

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:

	2020	2019
	S$'000	*S$'000*
1 to 30 days	**2,712**	1,461
31 to 60 days	**1**	113
61 to 90 days	**236**	55
	2,949	1,629

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

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 FY2020 and FY2019 respectively and no impairment loss is recognised. 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.

13. Contract assets/(liabilities)

	2020	2019
	S$'000	*S$'000*
Comprising:		
Current		
Contract assets	**13,925**	17,166
Contract liabilities	**(447)**	(2,196)
	13,478	14,970

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:

	2020	2019
	S$'000	*S$'000*
At the beginning of the year	**2,196**	1,168
Billing to customers	**2,117**	8,426
Revenue recognised upon the provision of project works	**(3,866)**	(7,398)
	447	2,196

As at 31 March 2020, retention receivables amounted to S$242,000 (2019: S$558,000) 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 expected credit loss for contract assets are negligible as the customers of the Group are reputable organisations.

14. Trade and other payables

	2020	2019
	S$'000	*S$'000*
Trade payables	**3,055**	1,991
Other payables		
— Goods and services tax payables	**55**	74
— Advances received from customers	**6**	6
— Sundry creditors	**86**	2,017
Deferred income	**190**	—
Accrued expenses	**230**	317
Accrued for trade related costs	**241**	788
Accrual for employee benefit expenses	**163**	750
	4,026	5,943

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

	2020	2019
	S$'000	*S$'000*
0 to 30 days	**1,498**	1,017
31 to 60 days	**907**	739
61 to 90 days	**343**	216
Over 90 days	**307**	19
	3,055	1,991

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

15. Bank borrowings

	2020	2019
	S$'000	*S$'000*
Term loan (i)	**393**	2,494
Hire purchase liabilities (ii)	**867**	1,525
Total borrowings	**1,260**	4,019
Of which		
— Current liabilities	**861**	3,194
— Non-current liabilities	**399**	825
	1,260	4,019

(i) Term loan

At 31 March, the Group's term loan was repayable as follows:

	2020	2019
	S$'000	*S$'000*
Bank borrowings		
Non-current, secured		
— Repayable later than 1 year and no later than 2 years	**112**	103
— Repayable later than 2 years and no later than 5 years	**182**	290
	294	393
Current, secured		
— Repayable on demand	**—**	2,000
— Repayable no later than 1 year	**99**	101
	393	2,494

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

As at 31 March 2020 and 31 March 2019, the term loan is separately secured by investment property and corporate guarantee from the Company.

Interest is charged at fixed rate of 2.25% and 2.58% (2019: 2.58% and 3.38%) per annum in the first two years. Subsequently, the interest rate will be charged at 6.5%, subject to a reprice monthly.

(ii) Hire purchase liabilities

At 31 March, the Group's hire purchase liabilities were repayable as follows:

	2020	2019
	S$'000	*S$'000*
— No later than 1 year	**762**	1,093
— Later than 1 year and no later than 2 years	**105**	432
	867	1,525

Effective interest rates on the hire purchase liabilities bears interest between 3.05% and 3.31% per annum during FY2020 (2019: 2.59% and 6.14% per annum).

EVENTS AFTER THE REPORTING PERIOD

Since April 2020, the Singapore Government issued a press release in relation to the "Circuit Breaker to Minimise Further Spread of COVID-19" which outlined enhanced safe distancing measures to reduce the risk of further local transmission of COVID-19. The measures include the closure of workplace premises. Other than essential services and their related supply chains, as well as entities that form a part of the global supply chain, business activities that cannot be conducted through telecommuting or other means from home shall be suspended (the "**Suspension**") from 7 April 2020 to 4 May 2020 (the "**Suspension Period**") (both dates inclusive) as a circuit breaker to curb further spread of COVID-19. Further into the latest development of COVID-19 epidemic in Singapore, on 21 April 2020, the Singapore Government announced the implementation of measures to further reduce the local transmission of COVID-19 in Singapore. These measures include the closure of more work premises and restriction of movement of workers residing in dormitories. Further, it was announced that the Suspension Period would be extended by another four weeks until 1 June 2020 (inclusive).

The Suspension has resulted in temporary closure of the Group's headquarters for the period between 7 April 2020 to 1 June 2020 (both dates inclusive) which led to extensive disruption to the normal operation of the Group in Singapore. Save for certain exceptions, the Group was not able to deploy its manpower to project jobsites due to the Suspension, and this will reduce the Group's income from construction contracts during the abovementioned period.

On 19 May 2020, the Singapore Government further issued a press release that Singapore would embark on a three-phased approach to resume activities safely, post-circuit breaker. The phase one of this approach which started from 2 June 2020, involves the safe re-opening of economic activities that do not pose high risk of transmission. Only selected services were allowed for resumption. After careful monitoring by the Singapore Government on the effects of increased activity in phase one for two weeks from 2 June 2020, it was ascertained that the community infection rates remain low and stable. Thus, the Singapore Government has allowed for phase two to commence starting 19 June 2020 whereby almost the entire economy would re-open, subject to safe management measures being in place. Lastly, phase three would be the reopening of the entire economy and activities for the whole of Singapore.

As of date of this announcement, Singapore is in the midst of phase two. The Group has been adopting precautionary and control measures to mitigate the impact of COVID-19 pandemic to the Group's operations, including but not limited to flexible work-from-home practices and procurement of supplies for pandemic prevention and control. Of all the Group's project works, only certain projects were allowed to resume, subject to the approval of various government bodies.

Consequently, the Group's financial result for the financial year ending 31 March 2021 may be affected. The extent of which could not be estimated as at the date of this announcement.

Apart from the above, the Group has also identified a new property suitable to be our new headquarters. Up to the date of this announcement, the Group is in the process of completing the purchase of the new headquarters and the acquisition will be completed on or before 15 July 2020.

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY OVERVIEW

The infrastructural pipeline market in Singapore remained relatively stable for FY2020, with no material adverse change in the general economic and market conditions in Singapore or the industry in which the Group operated that had materially or adversely affected or would affect the business operations or financial condition.

BUSINESS REVIEW

The core business and revenue structure of the Group has remained unchanged for FY2020. 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.

For FY2020, the Group recorded total revenue of approximately S$27.3 million, representing a decrease of approximately S$2.9 million from approximately S$30.2 million for FY2019. The decrease in revenue was mainly due to completion of 12 projects, with an aggregate contract sum of approximately S$66.9 million. During FY2020, the Group has been awarded three new gas projects, six new water projects and one new cable project with an aggregate contract sum of approximately S$21.7 million, most of which commenced in the second half of FY2020.

Business strategies of the Group remained unchanged for FY2020. 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 its presence in the market. Leveraging its listing status, the Group's core business continued to earn good reputation and provided the Group with sound track record for potential business opportunities. Subsequent to FY2020, the Group has secured new projects, together with the ongoing projects in hand, its 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 2020, the Group had six ongoing gas pipeline projects, seven water pipeline projects and one ongoing cable installation project with an aggregated contract sum of approximately S$48.2 million, of which approximately S$30.7 million has been recognised as revenue as at 31 March 2020 (FY2019: six gas pipeline projects, six water pipeline projects, three cable installation projects with an aggregate contract sum of S$69.9 million). The remaining balance will be recognised as the Group's 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 31 March 2020.

FINANCIAL REVIEW

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 FY2020 and FY2019.

	For the year ended 31 March					
	2020			2019		
	Number of projects/ contracts performed	**Revenue *(S$'000)***	**% of revenue *(%)***	Number of projects/ contracts performed	Revenue *(S$'000)*	% of revenue *(%)*
Gas pipeline	**11**	**21,414**	**78.5**	7	10,132	33.5
Water pipeline	**12**	**5,729**	**21.0**	6	13,793	45.7
Cable installation	**3**	**141**	**0.5**	7	6,286	20.8
Total	**26**	**27,284**	**100.0**	20	30,211	100.0

Revenue of the Group has decreased by approximately S$2.9 million from S$30.2 million in FY2019 to S$27.3 million in FY2020 due to the following:

(i) Increase in revenue from gas pipeline projects by approximately S$11.3 million;

(ii) Decrease in revenue from water pipeline projects by approximately S$8.1 million; and

(iii) Decrease in revenue from cable installation projects by approximately S$6.1 million.

The increase in revenue from the gas pipeline projects by approximately S$11.3 million is due to the following:

(i) Increase in revenue from projects relating to the supply and lay of gas mains and renewal services by approximately S$5.2 million;

(ii) Increase in revenue from other contracts relating to a gas transmission pipeline, in-line inspection and conversion of gas pressure networks by approximately S$4.2 million; and

(iii) Approximately S$1.9 million generated from two new gas projects for FY2020.

The decrease in revenue from the water pipeline projects by approximately S$8.1 million is due to the substantial completion of projects brought forward from previous years, where the revenue recognised amounted to approximately S$5.0 million (FY2019: approximately S$13.8 million), and partly offset by six new projects for FY2020 which generated approximately S$0.7 million.

The decrease in revenue relating to cable installation projects by approximately S$6.1 million is mainly attributable to the substantial completion of projects for (i) supply and installation of solar panels; and (ii) cable utility in the previous financial year.

Cost of Sales

Cost of sales of the Group increased by approximately S$426,000 or 1.9% from approximately S$22.4 million in FY2019 to approximately S$22.8 million for FY2020. The increase in cost of sales was mainly attributable to additional costs incurred on certain projects towards the completion stage or due to new work site safety requirement.

Gross Profits and Gross Profit Margins

The Group's total gross profits decreased by approximately S$3.4 million from approximately S$7.8 million in FY2019 to approximately S$4.4 million in FY2020. Gross profit margin decreased by approximately 9.5% from 25.7% in FY2019 to approximately 16.2% in FY2020. The decrease in gross profit margin is mainly due to (i) the decrease in revenue; and (ii) certain projects incurred additional costs towards the completion stage or due to new work site safety requirement.

Other Income

Other income increased by approximately S$103,000 from S$600,000 in FY2019 to S$703,000 in FY2020, mainly attributable to interest income earned from placement of short-term fixed deposit during FY2020, amounting to approximately S$174,000.

Other Gains/(Losses), net

Increase in other gains/(losses) is mainly attributable to foreign exchange gain contributed by cash and other balances denominated in Hong Kong dollars.

Administrative Expenses

The Group recorded administrative expenses amounting to approximately S$3.9 million (FY2019: approximately S$6.5 million). The decrease is mainly due to listing expenses incurred in FY2019 amounting to approximately S$3.8 million.

Income Tax Expense

The Group recorded a decrease of approximately S$0.8 million in income tax expenses, from approximately S$1.1 million for FY2019 to approximately S$0.3 million for FY2020. Higher tax is recognised for FY2019 due to higher taxable profit.

Profit and Total Comprehensive Income for the Year

Due to the above, profit and total comprehensive income for FY2020 increased by approximately S$0.9 million from S$0.7 million in FY2019 to S$1.6 million in FY2020.

Property, Plant and Equipment

Property, plant and equipment decreased by approximately S$1.1 million due to additions of approximately S$0.9 million, offset by depreciation of approximately S$2.0 million. The additions of property, plant and equipment include new machineries used for the Group's subsidiary's operations.

Trade and Other Receivables

The Group's trade and other receivables increased by approximately S$3.5 million from S$2.0 million as at 31 March 2019 to S$5.5 million as at 31 March 2020. The increase is mainly attributable to the increase in non-refundable deposit paid of approximately S$1.8 million, which is pertaining to the Group's purchase of new headquarter, and higher trade receivable balance as at 31 March 2020.

Contract Assets/(Liabilities)

Contract asset decreased by approximately S$3.2 million from S$17.2 million as at 31 March 2019 to S$14.0 million as at 31 March 2020, mainly attributable to higher amount of work orders certified, thus contributing to high amount of billing raised.

Contract liabilities decreased by approximately S$1.7 million from S$2.2 million as at 31 March 2019 to S$0.5 million as at 31 March 2020 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$1.9 million from S$5.9 million as at 31 March 2019 to S$4.0 million as at 31 March 2020 is mainly due to the settlement of listing expenses in FY2020 and the timing of suppliers' billings and settlements as at 31 March 2020.

Bank Borrowings

Bank borrowings decreased by approximately S$2.1 million from S$2.5 million as at 31 March 2019 to S$0.4 million as at 31 March 2020. The decrease is mainly attributable to the repayment of a short-term loan facility of S$2.0 million.

Hire Purchase Liabilities

Hire purchase liabilities decreased by approximately S$0.6 million from S$1.5 million as at 31 March 2019 to S$0.9 million as at 31 March 2020 due to additions of machineries during the year of approximately S$0.7 million, and offset by repayments of approximately S$1.3 million.

Liquidity and Financial Resources

As at 31 March 2020, the Group maintained a healthy liquidity position with net current asset balance and net cash and bank deposits of approximately S$26.9 million (2019: S$26.9 million) and S$15.7 million (2019: S$19.9 million) respectively. The Group's gearing ratio (calculating by total interest-bearing debt over total equity) as at 31 March 2020 was 4.1%, decrease of 7.2% from 11.3% as at 31 March 2019. The decrease in gearing ratio was mainly due to the repayment of bank borrowings and hire purchase liabilities during FY2020.

Employees and Remuneration Policies

As at 31 March 2020, the Group had a total of 282 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).

Set out below are details of the allocation of the Net Proceeds, the utilised and unutilised amounts of Net Proceeds as at 31 March 2020:

Use of net proceeds	**Planned use of net proceeds** *S$'000*	**Utilised in FY2020** *S$'000*	**Utilised from Listing up to 31 March 2020** *S$'000*	**Total remaining net proceeds available as at 31 March 2020** *S$'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 *(Note 1)*	9,368	1,430	1,430	7,938
(b) Purchase two pipe jacking machines *(Note 2)*	4,896	—	—	4,896
(c) Working capital	1,428	1,428	1,428	—
	15,692	2,858	2,858	12,834

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

Note 1: As at 31 March 2020, the Group has identified a new property suitable to be new headquarters. Up to the date of this announcement, the Group is in the process of completing the purchase of the new headquarters. More details of the purchase can be found on the Company's announcement "Major Transaction — Acquisition of Property" dated 30 March 2020, circular "Major Transaction in Relation to Acquisition of a Property" dated 22 April 2020 and announcement "Major Transaction — Acquisition of a Property — Extension of Completion Date" dated 27 May 2020.

Note 2: As at 31 March 2020, the Group has yet to acquire the pipe jacking machines as the Group have been tendering but not awarded with projects that require the use of certain models of pipe jacking machines as mentioned in the proposed use of proceeds.

Material Acquisition and Disposal of Subsidiaries and Associates and Joint Ventures

During FY2020, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Exposure

As all of the operations are in Singapore, all of the revenue from customers of the Group derived from activities in Singapore.

The Net Proceeds received were denominated in Hong Kong dollars. Therefore, the foreign exchange risk assumed by the Group primarily arise from movements in the Hong Kong dollars and Singapore dollars exchange rates. During FY2020, the Group did not experience any significant difficulty or impact on its operations or liquidity due to fluctuations in currency exchange rates. Towards the end of FY2020, the Group converted majority of the remaining proceeds into Singapore dollars, as the Group is expecting to use the proceeds to complete the acquisition of the new property. The management will continue to monitor the foreign exchange exposure and take prudent measures to reduce foreign exchange risks.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus, maintained a healthy liquidity position throughout FY2020. The finance department of the Group is responsible for treasury management functions, which include, amongst others, researching and sourcing investment options for further consideration by the management and the Board, and monitoring the investments on a continuous basis.

Significant Investment Held

During FY2020, the Group held no significant investment.

Charges on Assets

As at 31 March 2020, carrying amount of plant and machinery and motor vehicles held under hire purchase loan were S$2,790,000 (2019: S$2,435,000). The carrying amount of investment property mortgaged for bank borrowings was S$1,020,000 (2019: S$1,020,000).

Contingent Liabilities

As at 31 March 2020, 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 throughout the FY2020.

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, one non-executive Director 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 throughout the FY2020. 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the FY2020.

Final Dividend

The Board did not recommend the payment of any final dividend for FY2020 (FY2019: Nil).

Audit Committee and Review of this Annual Results Announcement

The audit committee of the Company has reviewed the Group's audited financial results for FY2020 and the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with the management including a review of the audited consolidated financial statements for FY2020.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for FY2020 as set forth in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Publication of the Results Announcement and Annual Report

This annual 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 of the Company for FY2020 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

Singapore, 30 June 2020

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; Ms. Feng Jiamin as non-executive director; Mr. Cher Choong Kiak, Mr. Chiam Soon Chian (Zhan Shunquan) and Mr. Choo Chih Chien Benjamin as independent non-executive directors.