HIAP HOE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199400676Z)

RESPONSE TO SGX QUERIES REGARDING THE COMPANY'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The board of directors (the "**Board**" or the "**Directors**") of Hiap Hoe Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce the following in response to queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") relating to the Company's financial statements for the financial year ended 31 December 2022 ("**2HY2022**") ("**Financial Statement Announcement**").

<u>SGX Query 1</u>

The Group reported current liabilities amounting to S$412,003,000 and unpledged cash and cash equivalents of S$18,886,000 as at 31 December 2022. We also note that the Group incurred losses before tax of S$23,609,000 for the 12 months ended 31 December 2022. In this regard:

(a) Please disclose the Board's assessment on whether the Group's current assets are adequate to meet its short-term liabilities amounting to S$412,003,000, and its bases of assessment.

(b) Please also disclose whether and how the Group intends to fulfil its significant payment obligations in the next 12 months. Where the Group has worked out debt repayment plans to fulfil its debt obligations, please disclose whether the Group is on track to fulfilling these obligations.

<u>SGX Query 2</u>

As at 31 December 2022, the Group reported an aggregate of S$383,555,000 in secured borrowings, which are repayable in one-year or less, or on demand, and an aggregate of S$328,031,000 in secured borrowings which are repayable after one year. The Group reported unpledged cash and cash equivalents of S$18,886,000 as at 31 December 2022. In this regard:

(a) Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

(b) Please assess the Group's ability to operate as a going concern.

(c) Please assess the Group's ability to meet its debt covenants (if any).

On page 22, it was further disclosed that the Group's borrowings are secured by:

"1. Legal mortgages on the Group's property, plant and equipment and investment properties (collectively, the "Properties");
2. Legal assignment of all rights and benefits under the sale and purchase agreements, hotel management contracts and/or tenancy agreements;

3. Assignment of all insurance policies and interest service reserve account for certain Properties;
4. Deed of subordination to subordinate all loans and advances from the Company to the facilities;
5. Corporate guarantees given by the Company and certain subsidiaries; and
6. A charge over certain other investments, cash and short-term deposits and shares of a subsidiary."

In this regard, please assess whether the value of the collateral / security provided is sufficient to cover the outstanding amount of borrowings.

Response to Query 1 and Query 2

The Company would like to address the two queries from SGX-ST collectively and with reference to the Company's announcement dated 5 April 2021 in respect of the Company's response to SGX queries in relation to the Company's Full Year Unaudited Financial Statements for the financial year ended 31 December 2020 (the "**FY2020 SGX Query Announcement**").

The Company had in the FY2020 SGX Query Announcement stated that the Group's financing strategy includes reviewing the terms and flexibility of short-term loan facilities and long-term loan facilities to decide which loan tenures are suitable for the Group. A significant portion of the Group's interest-bearing loans and borrowings recorded under current liabilities as at 31 December 2022 amounting to approximately $369.0 million are loans drawn from Money Market Line and Revolving Credit facilities ("**RCFs**") and are secured by the Group's assets. As these facilities are revolving in nature, they are classified under current liabilities. The amount drawn under these facilities are below the quantum granted by the banks and the valuation of the relevant assets under which the facilities are secured are above the Loan-to-Value ("**LTV**") provisions of the facilities. The weighted average LTV ratio of the Group as at 31 December 2022 is 45.17% based on valuations obtained on the relevant assets as at 31 December 2022.

As the Group is current on its obligations under all its credit facilities, there are no debt-repayment plans required, other than those contractually provided in the agreement for those facilities. The Group is also compliant with its debt covenants and has obtained waiver of covenants where necessary. The RCFs of the Group have all been rolled forward and there are no repayments made for any outstanding amounts from these RCFs to date. The Group's financing strategy relies on the Group's ability to continuously renew their drawn down loan facilities with the respective bankers to avoid the need to make immediate repayment to the respective banks. The Group's ability to obtain renewal is demonstrated in 2022 where the Group successfully re-financed its term loan of $185 million with a local bank which was originally due on 30 October 2023.

The Group has unutilised credit facilities available to refinance the portion of borrowings which are maturing within the next 12 months.

The Group has realised positive operating cash flow for the year ended 31 December 2022 and historically recorded a positive operating cash flow. The Group also holds an investment portfolio consisting of a significant portion of liquid and marketable assets which it will be able to monetise if required.

In consideration of the above, the Management of the Group is confident of its ability to continue as a going concern and its ability to meet all its short-term obligations in a timely manner.

SGX Query 3

We note that the Group reported S$297,168,000 in its "Other investments" financial statement line item as at 31 December 2022.

On page 14, it was disclosed that:
"The Group has unquoted investments which include fixed income instruments, mutual and private equity funds.

The fair values of unquoted investments are determined based on various valuation techniques which involve the use of assumptions and estimates determined by financial institutions managing these investments and application of management judgement. Estimation uncertainty exists for the valuation as these investments are not traded in an active market and the valuation techniques involve the use of significant unobservable inputs such as revalued net asset values and recent transaction prices."

On page 18, the breakdown of financial assets by fair value was also disclosed, and in this regard:

(a) Please provide more details on what these "Other investments" specifically relate to, as well as provide a breakdown by investment type.

(b) Please provide more details on the various valuation techniques used to determine the fair values of the unquoted investments amounting to S$153,021,000 with significant unobservable inputs (level 3 other investments).

(c) Did the Company perform a sensitivity analysis on the fair values of the level 3 other investments before arriving at the figure of S$153,021,000? If so, please consider disclosing a summary of the sensitivity analysis and its respective assumptions.

Response to Query 3

Other investments comprise of S$144,147,000 quoted (listed bonds and equities) and S$153,021,000 unquoted (unlisted bonds, mutual and private equity funds) investments. The Group maintains a diversified investment portfolio across different asset classes and geographies with exposure to mainly real estate (including hospitality) assets.

For unquoted investments managed by financial institution, the Group relies on the valuations as provided by the respective financial institutions managing these investments. These financial institutions in turn use their own valuation techniques, such as revalued net asset values. For unquoted investments managed directly by the Group, management used valuation techniques such as comparable market approach in determining the fair value. Out of the total unquoted investment amounts of $153,021,000, unquoted investments managed by financial institutions is $95,517,000 and the remaining amount of $57,504,000 relates to unquoted investments managed directly by the Group.

2022	Valuation techniques	Unobservable inputs	Percentage	Sensitivity of the input to fair value
Unquoted investments managed directly by the Group	Comparable market approach	Price-to-book multiple	1.29x	A 5% increase (decrease) in the price-to-book ratio would result in an increase (decrease) in fair value by $2,875,000

By Order of the Board

Ong Beng Hong

Joint Company Secretary

23 March 2023