

HIAP SENG ENGINEERING LTD
(Incorporated in the Republic of Singapore)
(Company Registration No.: 197100300Z)

**RESPONSE TO QUERIES FROM THE SGX-ST IN RELATION TO ITS ANNUAL REPORT DATED
20 AUGUST 2019 AND ITS ANNOUNCEMENTS ON THE RIGHTS ISSUE DATED 14 AUGUST
2019 AND 18 OCTOBER 2019**

The board of directors ("**Board**") of Hiap Seng Engineering Ltd ("**Company**") refers to the below queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and wishes to provide its response as follows:

SGX Query

Note 2.1 of the Company's annual report for the financial year ended 31 March 2019 states that the basis of preparing the financial statements on a going concern includes a credit facility of S\$10 million. This additional credit facility's continued availability requires the Company to complete an equity fund raising exercise by 30 November 2019. The notes further elaborate that the Company had commenced activities for a proposed rights issue. On 18 October 2019, the Company announced the withdrawal of the rights issue. Under such circumstances, the basis disclosed in the annual report for preparing the financial statements on a going concern can no longer be relied upon. Hence, please provide the following:

1. the Board of Directors' assessment of the Group's ability to continue operating as a going concern and the bases for the said assessment;
2. the Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3); and
3. the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.

Company's Response

With respect to the credit facility which availability requires the Company to complete an equity fundraising exercise by 30 November 2019 ("**Credit Facility**"), following the withdrawal of the rights issue, the Company is looking at other alternatives for equity fundraising, including but not limited to a placement of its shares to financial investors. If necessary, the Company will also seek an extension of time for the satisfaction of this condition from its bankers. As such, the Company believes that the basis disclosed in the annual report for preparing the financial statements on a going concern is still valid.

The Company will make further announcements on updates on both its equity fundraising exercise and the availability of the Credit Facility on SGXNET as and when appropriate.

Board's assessment of the Group's ability to continue operating as a going concern

The Board is of the view that the Group is able to continue operating as a going concern in view of its order book of approximately S\$126 million as at 30 June 2019. Approximately 80% of the order book is expected to be recognised as revenue in FY2020, while the remaining amount is expected to be recognised by 30 June 2020. Since July 2019, the Group has secured additional contracts amounting to approximately S\$35 million.

The Board is also evaluating and streamlining the Company's business with a view to increasing cash flow and profitability. In terms of its business, in addition to focusing on its plant construction and maintenance segment for which the Group has a strong track record in, it also intends to scale down the engineering, procurement and construction projects. The Company is also relooking its manpower requirements and may undertake a headcount reduction exercise in order to achieve further reductions

in costs. The Board is also considering the disposal of its non-core assets, including freehold land and buildings in Thailand, as well as leasehold properties in Singapore. The Company will make further announcements on any material developments on SGXNET as and when appropriate.

Further, the Board is of the view that the general outlook for the process sector in the oil and gas industry has improved, and is likely to translate into higher capital expenditure by major customers in the near to medium term, which will benefit the Group's business.

Board's opinion as to whether the trading of the Company's shares should be suspended

For the reasons set out above, given that the Board is of the view that the Company is able to continue its operations as a going concern and further that its view has been arrived through a reasonable assessment of its financial position, it is of the opinion that the Company does not fall within the ground for suspension under Rule 1303(3) of the Listing Manual.

Board's confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner

The Board confirms that all material information to enable trading of the Company's shares to continue in an orderly manner has been disclosed. The Board is not aware of any other material developments since its annual report dated 20 August 2019 that would have a material impact on the trading of the Company's shares.

BY ORDER OF THE BOARD

Tan Ah Lam, Frankie
Executive Chairman
21 October 2019