



HIAP HOE LIMITED

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

RESPONSE TO SGX QUERIES REGARDING THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND HALF YEAR AND FULL YEAR ENDED 31 DECEMBER 2020

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 unaudited financial statements for the second half year and full year ended 31 December 2020 (“**2HY2020**”) (“**Financial Statement Announcement**”).

SGX Query 1

We note that the Company has disclosed on page 14 of the Financial Statements that there is a “write back of impairment loss on the investment property at Stirling Street Perth of \$1.2 million”. Please provide the background for the impairment loss and the basis for the write back.

Response

The Group carries its investment properties and property, plant and equipment at cost less accumulated depreciation and accumulated impairment. In the case of investment properties, impairment loss is recognised when carrying value exceeds fair value, and for property, plant and equipment, such loss is recognised when the carrying value exceeds recoverable amount.

The Group carries out an independent valuation exercise on its property assets on an annual basis at the end of each financial year by engaging real estate valuation experts to assess the fair value of the properties.

The Group had recorded impairment losses on the investment property at Stirling Street, Perth in the previous financial years similarly based on indicative open market values as advised by the independent professional valuers. The current year write-back of impairment loss of \$1.2 million is primarily a result of the property’s improved tenancy profile and supported by an indicative open market value as at 31 December 2020 advised by the independent professional valuer.

SGX Query 2

Given the significant change in the economic, operating and business conditions caused by the COVID-19 pandemic which would be prevailing as at FY2020, please state how the Company would have disclosed all material information relating to the assessment of the value of its properties and investment properties to enable investors to make informed investment decisions in the absence of the assessment of the portfolio for impairment for the purpose of reporting for FY2020

SGX Query 3

We refer to the guidance issued by the Institute of Singapore Chartered Accountants (ISCA) entitled "ISCA COVID-19 Technical FAQs", which provide deliberations on the accounting and auditing issues faced (the "Guidance"). FAQ 3 [PAIB] of the Guidance provides information on potential areas of misstatements that an entity should be mindful of, given that economic activities of many entities are adversely affected by measures put in place to contain the COVID-19 virus. FAQ 3 states that, "With the recent developments of the pandemic, there could be indicators indicating that assets may be impaired (e.g. shut-down of manufacturing facilities, falling demand and selling prices of goods and services). The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. When determining the recoverable amount, future cash flows are estimated based on management's best estimates of the economic conditions that will exist over the remaining useful life of the asset. Although the above judgement can be difficult to make in light of the current uncertain situation, entities are reminded that the assumptions used should be reasonable and supportable and which reflect conditions existing at the financial reporting date."

Please clarify if the Company has assessed the value of its properties and investment properties for FY2020, and its basis of assessment. Please explain how the Board has addressed its mind to the carrying value of its properties and decided if any material change is required, in view of the current Covid-19 situation and the profit guidance issued by the Company

Response

The Company would like to address the two queries received from SGX-ST collectively and with reference to the Company's announcement dated 21 August 2020 in respect of the Company's response to SGX queries in relation to the Company's First Half Year Unaudited Financial Statements (the "**1H2020 SGX Query Announcement**").

The Company had in the 1H2020 SGX Query Announcement stated that it is the Company's practice to carry out an independent valuation exercise on an annual basis at the end of each financial year to determine the impact on the carrying value of the Group's properties.

Independent valuation exercises were carried out for the Group's properties for the financial year ended 31 December 2020 and an impairment loss on Holiday Inn Express hotel in Manchester of \$4.8 million was recorded in the second half year and full year ended 31 December 2020.

By Order of the Board

Ong Beng Hong
Joint Company Secretary

8 March 2021