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 FINANCIAL 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 financial year ended 31 December 2020 ("**FY2020**") ("**Financial Statement Announcement**").

SGX Query 1

Given the Group's current liabilities of $522,699,000 as at 31 December 2020 and cash and short-term deposits of $20,313,000 and noting that the Group incurred losses for the 12 months ended 31 December 2020 of $36,768,000, please disclose the Board's assessment (i) whether the Group's current assets are adequate to meet its short-term liabilities of $522,699,000, including its bases of assessment; and (ii) how the Group intends to fulfill 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 if the Group is on track to fulfilling these obligations.

SGX Query 2

As at 31 December 2020, the Group has current liabilities relating to interest-bearing loans and borrowings of $504,301,000, non-current liabilities relating to interest-bearing loans and borrowings of $249,886,000; and cash and short-term deposits of $20,313,000. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.

(i) Please assess the Group and Company's ability to operate as a going concern.
(ii) Please assess the Group and Company's ability to meet its debt covenants (if any).
(iii) Please assess the Group and Company's ability to meet its short-term obligations when they fall due.

Response

The Company would like to address the two queries received from SGX-ST collectively.

The Group have considered the following factors to determine its ability to operate as a going concern.

(1) Current Liabilities

A significant portion of the Group's interest-bearing loans and borrowings recorded under current liabilities as at 31 December 2020 amounting to approximately $411.0 million are loans drawn from Money Market Line and Revolving Credit facilities 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 Group is current on all its obligations under these facilities and therefore do not anticipate any issues with their renewal.

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. When employing short-term loan facilities, the Group will continuously renew these short-term loan facilities and as they provide the Group with the flexibility to repay the loans without additional finance cost when there are surplus funds in the Group. Included in 31 December 2020 is a 4-year term loan facility of $89.9 million which is due for repayment in December 2021. The Group will arrange for re-financing upon its maturity.

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.

(2) <u>Liquidity</u>

As stated in our financial statements, the Group has sufficient unutilised credit facilities available to refinance the portion of borrowings which are maturing within the next 12 months.

In addition, the Group has historically had a positive operating cash flow. For the year ended 31 December 2020, despite the challenges of the Covid-19 pandemic, the Group realised positive operating cash flow. The net losses incurred were largely non-cash in nature resulting from the mark-to-market valuation or impairment of the Group's investments, particularly those in the Hospitality sector.

Aside from the cash flow from operations, the Group also has 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 on a timely manner.

By Order of the Board

Ong Beng Hong
Joint Company Secretary

5 April 2021