



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 HALF YEAR ENDED 30 JUNE 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 half year ended 30 June 2020 (“**HY2020**”) (“**Financial Statement Announcement**”).

SGX Query 1

Given the significant change in the economic, operating and business conditions caused by the COVID-19 pandemic which would be prevailing as at HY 2020, 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 HY2020.

SGX Query 2

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 the financial period ended 30 June 2020, 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. The Company would like to clarify that it had on page 13, paragraph 10 of its Financial Statement Announcement commented on the impact of COVID-19 on the value of the Group’s properties

and thereby disclosing the information available to the Company as at HY2020 relating to the Group's properties and investment properties. The Company sets out below the relevant extract from the Financial Statement Announcement.

"The Group expects the rental yields and the occupancy rates of its existing properties to continue to be adversely impacted amid COVID-19 and expects the demand for travel and accommodation to remain low globally for the next 12 months and beyond. The weaker financial performance arising from the effects of COVID-19 might result in a decline in the value of the Group's properties as compared to the preceding financial year. The extent of the financial impact arising from the changes in the value of the Group's properties, if any, will only be ascertained in the second half year ending December 2020."

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. In view of this and to avoid incurring additional costs and expenses, the Company does not undertake valuation of the Group's properties in relation to the half year unaudited financial statements. The Company would also like to highlight that its accounting policies for property, plant and equipment as well as investment properties are measured on a cost model (cost less accumulated depreciation and accumulated impairment losses).

As there was no independent valuation exercise carried out for HY2020, the Company is unable to comment on the financial impact, if any, of COVID-19 on the value of the Group's properties as at HY2020 other than as stated in the Financial Statement Announcement. Further to this, as stated in the Financial Statement Announcement, the extent of the financial impact arising from the changes in the value of the Group's properties, if any, will only be ascertained in the second half year ending December 2020.

By Order of the Board

Ong Beng Hong
Joint Company Secretary

21 August 2020