INDEPENDENT AUDITOR'S REPORT

To the members of Hiap Seng Engineering Ltd (under Judicial Management)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT)

Report on the Audit of the Financial Statements

Our Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of Hiap Seng Engineering Ltd (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2021, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 March 2021;
- the balance sheet of the Group as at 31 March 2021;
- the balance sheet of the Company as at 31 March 2021;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Qualified Opinion

For the financial year ended 31 March 2021, the Group recorded cost of services for a project undertaken by Hiap Seng Engineering Limited FZC ("HSFZC") of $461,000 within its loss from discontinued operation. HSFZC was a subsidiary as at 31 March 2021 and was disposed by the Group in June 2021. We were unable to obtain sufficient appropriate audit evidence relating to the nature and timing of the incurrence of these costs as the Company no longer has access to the accounting records of HSFZC. Consequently, we were unable to determine whether any adjustments to the opening retained earnings and loss from discontinued operation recorded in the current financial year were necessary.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT) (continued)

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements, which indicates that the Group incurred a net loss of $5,363,000 for the financial year ended 31 March 2021 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by $31,356,000 and $32,007,000 respectively. It is further indicated that the Company and one of its subsidiaries were placed under judicial management on 15 September 2020. The ability of the Group and the Company to continue as going concerns is subject to the completion of the Restructuring Exercise as disclosed in Note 2.1 which is currently ongoing. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Our opinion is not modified in respect of this matter.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 March 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* and the *Material Uncertainty Related to Going Concern* sections, we have determined the matter described below to be the key audit matter to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT) (continued)

Our Audit Approach (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Contracts with performance obligations satisfied over time (Refer to Note 2.3, Note 3 and Note 4) During the financial year ended 31 March 2021, revenue from shutdown maintenance and plant and equipment construction contracts amounted to $13.5 million (Note 4), which represented 46.0% of the total revenue of the Group. In addition, the results from discontinued operations included revenue contribution from these contracts amounting to $11.5 million (Note 10). Revenue from shutdown maintenance and equipment construction contracts are recognised over time by reference to the progress towards satisfaction of performance obligations under these contracts. Measurement of progress of the projects at the reporting date is based on the proportion of contract costs incurred to date over the estimated total contract costs. We focused on this area due to the significant amount of judgement required in the estimation of the total contract costs to complete used to determine the measurement of progress of the projects at the reporting date, which affects the revenue recognised and the provision for onerous contracts.	We performed the following audit procedures for contracts selected on a sample basis: (a) Understand and evaluate the relevant controls relating to the preparation of, and revision to, total project revenue and costs. (b) Obtain an understanding of the projects in progress through discussions with management and project managers. (c) Trace total contract sums to contract entered into by the Group and its customers. (d) Obtain evidence of contract modifications (including variation orders and claims) recognised by verifying to customer orders and acknowledgement of the claims. (e) Assess the adequacy of the amount of liquidated damages to be net off against contract sums, based on our understanding of the projects. (f) Assess the reasonableness of management's estimates of total project costs: (i) Review the project status and risks associated with the timely completion of the project; (ii) Compare actual costs incurred against budgeted project costs; (iii) Agree actual costs incurred to invoices from material suppliers and subcontractors, and payroll records; (iv) Assess the adequacy of the amount of provision for onerous contracts (where relevant) for each project. (g) Re-compute the measurement of progress based on contract costs incurred to date as a proportion over the estimated total contract costs. (h) Re-compute the amount of revenue recognised in the current financial year based on the measurement of progress. Based on the audit procedures performed above, except for the matter described in the *Basis for Qualified Opinion* section, we found management's estimation of project revenue and project costs to be appropriately supported, and the disclosures in this respect, to be adequate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT) (continued)

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report (the "Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient evidence relating to the cost of services for a project of $461,000 included in the loss from discontinued operation. We are unable to conclude whether or not the other information is materially misstated with respect to this matter.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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To the members of Hiap Seng Engineering Ltd (under Judicial Management)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP SENG ENGINEERING LTD (UNDER JUDICIAL MANAGEMENT) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the matter described in the *Basis for Qualified Opinion* section above, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Maurice Loh Seow Wee.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 15 November 2022