

**HIAP SENG ENGINEERING LTD.**  
**(JUDICIAL MANAGERS APPOINTED)**  
(Company Registration No. 197100300Z)  
(Incorporated in the Republic of Singapore)

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**RESPONSE TO SGX QUERIES ON THE COMPANY'S UNAUDITED FULL YEAR RESULTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023**

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Hiap Seng Engineering Ltd (Judicial Managers Appointed) (the "**Company**") refers to the queries raised by the Singapore Exchange Regulation (the "SGX") on 6 July 2023 in relation to the Company's unaudited full year results for the financial year ended 31 March 2023 ("FY2023") as announced on 31 May 2023.

1. **Please explain why interest income amounted to only S\$111K during the financial period ended 31 March 2023 when the Company has significant cash and bank balance amounting to S\$18.7 million.**

**Company's Response:**

The cash and bank balances includes (i) cash by way of fixed deposits and (ii) cash to be utilised for operating working capital purposes.

Interest income is largely earned from the placement of cash in fixed deposits. From late October 2022 onwards, the Company decided to place a portion of the cash balances into fixed deposits on a short term tenure, after taking into consideration the interest rate and cash flow requirements.

The cash to be utilised for operating working capital purposes is for the Company's business and operations. The interest rates earned from these balances were not significant.

2. **Please provide an explanation as to why the Group's borrowing has increased and amounted to S\$14.7 million while the Group's cash and cash equivalent has similarly increased and amounted to S\$18.74 million.**

**Company's Response:**

The Group's borrowings has increased from \$14.3 million to \$14.7 million due to the accrual of interest expense.

The Group's cash and cash equivalent increased from S\$15.1 million to S\$18.7 million mainly due to the collection from trade receivables.

3. **In regard to the Company's trade and other payables, please disclose the following:-**
  - a. **A breakdown of trade and other payables amounting to S\$33.6million as at 31 March 2023. For other payables, please disclose the identity, aging and nature of these other payables and whether the counter parties are related parties.**

**Company's Response:**

**3(a) –**

A breakdown of the Group's trade and other payables as at 31 March 2023 is as set out below-

<b>Trade payables:</b>	S\$'000
Non related parties	22,891
Associated companies	169
<b>Total trade payables</b>	<b>23,060</b>
<b>Non-trade payables:</b>	
Other payables	2,115
Corporate guarantee	2,953
Accruals for operating expenses and professional fees	5,517
<b>Total non-trade payables</b>	<b>10,585</b>
<b>Total trade and other payables</b>	<b>33,645</b>

A breakdown of other payables and the aging as at 31 March 2023 is tabulated below:

In S\$'000	Total	Not due	Past due 0 to 3 months	Past due over 120 days
Investors deposit	700	700 <sup>1</sup>		
Customer deposit	890	890	-	
Employees payables	521	-	17	504 <sup>2</sup>
Others	4	-	4	
<b>Total other payables</b>	<b>2,115</b>	<b>1,590</b>	<b>21</b>	<b>504</b>

Note

<sup>1</sup> \$700k being deposit placed by the investors in relation to the Conditional Subscription Agreement ("CSA") entered on 7 January 2022 with the Company. Amount will be offset with the Subscription amount upon the fulfilment of the conditional precedents set out in the CSA under the proposed transaction.

<sup>2</sup> \$504k refers to the Proof of Debts filed by employees in relation to the claim of their employment benefits prior to the judicial management of the Company.

With the exception of the investors' deposits which were placed for the purpose of the CSA and the employees payables, the rest of the other payables were incurred during the ordinary course of the Group's operations. All the counter parties are not related parties.

**b. Reason(s) for the significant trade and other payables of S\$33.6million when the Group recorded cash and cash equivalents of S\$18.7million.**

**Company's Response:**

**3(b) -**

On 15 September 2020, the Company was placed under judicial management. During the judicial management period, there was a stay on all suits, proceedings, claims etc against the Company, except with the consent of the Judicial Managers ("JMs") or with the leave of the Court. The unsecured debt and liabilities owing to the trade creditors prior to 15 September 2020 would be addressed/ restructured via a Scheme of Arrangement ("Scheme") which was approved by the creditors and the Court had on 29 August 2022, granted an order to sanction the Scheme.

In this respect, the total trade and other payables of \$33.6 million as of 31 March 2023 comprised of the following –

- (i) \$25.3 million for the outstanding payables incurred prior to 15 September 2020;
- (ii) \$0.7 million for the investors' deposits;
- (iii) \$4.6 million was accrued for professional fees in relation to the judicial management and restructuring exercise undertaken by the Company; and
- (iv) \$3.0 million for the ongoing business activities carried out by the Group.

The Group recorded cash and cash equivalent of \$18.7 million as at 31 March 2023. During the judicial management period, the Group took steps to conserve cash resources for the Company's business operations in light of rising inflation and challenging business environment as well as set aside funds for the Scheme payment to creditors and professional fees for the judicial management of the Company as well as the restructuring exercise.

**c. Reason(s) as to why trade and other payables amounted to S\$33.6million when revenue for the 12 months ended 31 March 2023 amounted to S\$18.1million.**

**Company's Response:**

**3(c)-**

As stated in Para 3(b), the majority of the trade and other payables were for the outstanding payables incurred prior to the judicial management of the Company i.e. on 15 September 2020, and the professional fees accrued in relation to the judicial management and restructuring exercise.

The remaining trade payable balance of \$3.0 million was incurred in the Company's normal course of business. Given that the Company is under judicial management, there were limited suppliers who were willing to provide credit term to the Company, hence the majority of services provided and purchases made were paid in advance.

## **Cautionary Statement**

Shareholders, stakeholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company and the Judicial Managers carefully. Shareholders are also advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders, stakeholders and potential investors of the Company should consult with their financial, tax or other advisers if they have any doubt about the actions they should take.

Further announcements will be made by the Company and the Judicial Managers via SGXNET as and when there are any material developments.

Oon Su Sun and Lin Yueh Hung  
Joint and Several Judicial Managers

10 July 2023

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The affairs, business and property of the Company are being managed by the Judicial Managers appointed by the High Court of Singapore. The Judicial Managers contract and only act as agents of the Company and disclaim all personal liability of any nature whatsoever for all matters arising out of, in connection with and in respect of the Judicial Management of the Company herein.