



HEETON HOLDINGS LIMITED

(Unique Entity Number 197601387M)
Incorporated in the Republic of Singapore

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 AND SGXNET ANNOUNCEMENT DATED 15 APRIL 2021

The Board of Directors (the “**Board**”) of Heeton Holdings Limited (the “**Company**”) wishes to inform that the Company has received the following queries raised by the Singapore Exchange Securities Trading Limited on 26 April 2021 with regards to the Company’s annual report for the year ended 31 December 2020 (the “**Annual Report**”) and the Company’s SGXNet announcement dated 15 April 2021:

The Board wishes to provide the following information:

Query 1

We note that it was disclosed in the Announcement that an additional \$16,817,000 was recognized as impairment losses on financial assets for FY 2020. In this regard, please disclose the following information:

- i. The nature and type of financial assets involved;*
- ii. How the amount of impairment was determined;*
- iii. Whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation;*
- iv. The Board’s confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment; and*
- v. The reasons for the impairment losses and the increase in the impairment losses.*

Our Response

	Increase in impairment losses on Amounts due from associated companies (non-trade) of \$1,617,000	Increase in impairment losses on Other Receivables of \$15,200,000
<i>i. The nature and type of financial assets involved</i>	Amounts due from associated companies in Thailand which are mainly undertaking hospitality business.	Other receivables mainly due from a party undertaking a property development project.
<i>ii. How the amount of impairment was determined</i>	The recoverable amount of these hospitality assets were determined based on valuation reports prepared by external valuation specialists as well as general impact due to Covid-19.	Based on the estimated selling price of the development property held by the debtor and the estimated budgeted costs to completion for the development property.

<p>iii. Whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation</p>	<p>Yes, as mentioned in (ii) above.</p> <p>The recoverable amount of the receivables due from the associated companies in Thailand was \$22,261,000.</p> <p>The valuation was conducted by external valuation specialists as of 31 Dec 2020 based on income approach.</p>	<p>No.</p>
<p>iv. The Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment</p>	<p>The Board confirms that it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment.</p>	<p>The Board confirms that it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment.</p>
<p>v. The reasons for the impairment losses and the increase in the impairment losses.</p>	<p>The adjustment to the impairment losses was made following the finalisation of the review of the valuation reports by the auditors.</p>	<p>The adjustment to the impairment losses was made following the review of the estimated selling price based on current market conditions and the launch of the development project prior to the finalisation of the Group's financial statements.</p>

Query 2

It was also disclosed in the Announcement that the impairment of property, plant and equipment recorded in the audited financial statements is \$4,858,000 lesser than what was recorded in the unaudited results for FY2020. In this regard, please disclose the following information:

- i. How the amount of impairment was determined;***
- ii. Whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation;***
- iii. The Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment; and***
- iv. The reasons for the impairment losses and the decrease in impairment losses***

Our Response

i. How the amount of impairment was determined;

The impairment of property, plant and equipment was made mainly in relation to the Group's hotel properties in the United Kingdom. It was determined based on the recoverable values of the hotel properties with impairment indicators.

ii. Whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation;

The recoverable values of the hotel properties were based on valuations performed by external valuation specialists as of 31 Dec 2020 based on income approach.

The net carrying value of the hotel properties following impairment review was \$383,450,000 based on the recoverable values. Details of the impairment of property, plant and equipment can be found in the Note 11 to the Financial Statements.

iii. The Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment; and

The Board confirms that it is satisfied with the reasonableness of the methodologies used to determine the amount of impairment.

iv. The reasons for the impairment losses and the decrease in impairment losses

The adjustment to the impairment losses was made following the finalisation of the valuation reports and the review of the valuation reports by the auditors.

Query 3

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company will not be in compliance with Provision 2.4 of the Code as given that your chairman is not independent and Independent directors do not make up a majority of the Board. Given that there were no explanations provided for in your FY2020 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence in its composition to enable it to make decisions in the best interest of the Company.

Our Response

The Board currently comprises six (6) Directors, three (3) of whom are Independent Directors. Notwithstanding that the Independent Directors does not make up a majority of the Board, the Board is capable of maintaining the appropriate level of checks and balances. This is demonstrated in the fact that the Executive Directors and non-Executive Director would recuse themselves from and abstained from voting on matters where they have a material personal interest. In such cases, deliberations would be led by the Lead Independent Director. Upon such recusal, the Independent Directors would then make up the majority of the Board deciding on such matters. In addition, as each Director actively participates in the Board's decision-making process, decisions are made collectively without any individual or small group of individuals influencing or dominating the process.

Query 4

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 2 requires an issuer to state the Company’s board diversity policy and progress made towards implementing the board diversity policy, including objectives. Please clarify and confirm if the Company’s practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Our Response

As disclosed on page 24 of the Annual Report, the Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group. While the Board does not comprise any female Director at the moment, its current composition with appropriate mix of expertise and experience enables the management to benefit from a diverse and objective perspective on any issues raised before the Board. The Nominating Committee is of the view that no individual or small group of individuals dominate the Board’s decision-making process.

The Board is of the view that its size, and that of the Board Committees, and level of independence is appropriate and comprises Directors who as a group, have an appropriate balance and mix (as well as breadth and depth) of skills, knowledge and experience, and diversity of thought, so as to foster constructive and robust debate and avoid “groupthink”. While at this point, the Board has not implemented specific board diversity policy on gender, age and ethnicity for candidates to be appointed to the Board, the Nominating Committee will, however, continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of its board renewal process.

The Board believes that its current composition has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Company, consistent with the intent of Principle 2 of the Code.

Query 5

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, CEO and KMP should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the CEO should specify the names, amounts and breakdown of remuneration. We note that the Company declined to disclose each individual director and CEO’s exact remuneration. Instead, the Company disclosed the remunerations in bands of S\$250,000. Please clarify if this disclosure provides sufficient transparency and information to shareholders and it is consistent with the intent of Principle 8 of the Code.

Our Response

As disclosed on pages 45 and 46 of the Annual Report the breakdown showing the level and mix of the remuneration of each individual Director and the top five key management personnel into types of compensation in percentage terms and in bands of S\$250,000. While the practice in relation to the Directors varies from Provision 8.1 of the Code which requires companies to disclose the specific remuneration of each director, as disclosed in the Annual Report, for confidential reasons, the Board has not disclosed the remuneration of each individual Director and the Group's key executives in full. The Board is of the belief that full disclosure of the Directors' remuneration may have a negative impact on the Company, taking into consideration the competitive business environment in which the Company operates and the sensitivity and confidential nature of such disclosure.

The Company has also given detailed disclosure on its remuneration policies and procedure for setting remuneration and the relationship between remuneration, performance and value creation on page 44 of the Annual Report. The Board therefore believes that, taken as a whole, the disclosures provided are meaningful and sufficiently transparent in giving an understanding of the remuneration of its Directors, consistent with the intent of Principle 8.

Based on the above, the Board is of the view that its practices are consistent with the intent of Principle 8 of the Code.

Query 6

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 8.1(b) of the Code states that the Company is required to disclose the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. We note that Mr Toh Giap Eng's remuneration is disclosed in bands of S\$250,000 instead of S\$100,000. Please explain this deviation and clarify if this disclosure provides sufficient transparency and information to shareholders and it is consistent with the intent of Principle 8 of the Code.

Our Response

As explained on the above, the Board is of the belief that full disclosure of the Directors' remuneration may have a negative impact on the Company, taking into consideration the competitive business environment in which the Company operates and the sensitivity and confidential nature of such disclosure.

The Board has taken into consideration the disclosure in bands of S\$100,000 for the employee who are substantial shareholders of the Company or are immediate family members of a Director, the CEO or a substantial shareholder of the Company in the Annual Report. Notwithstanding, the Board believes that, taken as a whole, the disclosures provided are meaningful and sufficiently transparent in giving an understanding of the remuneration of its Directors, consistent with the intent of Principle 8.

By order of the Board

Hoh Chin Yiep
Executive Director and Chief Executive Officer
28 April 2021