HEETON HOLDINGS LIMITED

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

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FOR ANNUAL GENERAL MEETING 2020

The Directors of Heeton Holdings Limited ("**Heeton** or the "**Company**") would like to thank shareholders for submitting their questions in advance of the Annual General Meeting for the financial year ended 31 December 2019, which will be held via electronic means on Friday, 19 June 2020 at 10.30 a.m.

The Appendix sets out the Company's response to the substantial and relevant questions received from shareholders, which have been consolidated for ease of reference.

By order of the Board

TOH GIAP ENG
EXECUTIVE DIRECTOR AND DEPUTY CHAIRMAN

18 June 2020

Appendix

How have Heeton's hotel and investment properties businesses been affected by Covid-19, and what measures have been taken to meet unprecedented challenges and mitigate losses?

Over the years, Heeton has established a diverse asset portfolio that includes hotels, real estate developments and investment properties in order to create greater value for our shareholders. Like many other companies, our businesses have been impacted by the Covid-19 pandemic and our management teams all round the world are assiduously reviewing operational strategies, reinforcing company finances and navigating government support programmes while ensuring that their employees and customers are kept safe.

Hotel Businesses

The first half of 2020 has been turbulent and disruptive for the hospitality sector the world over, with revenue and profits adversely impacted by international travel restrictions as well as the social distancing measures put in place by the authorities of each country to reduce interpersonal contact.

Towards the end of March 2020, the UK government directed the closure of all hotels in the country until further notice. This has affected the performance of our 9 UK hotels. Fortunately, the UK government is heavily subsidising the hospitality sector with business grants, tax rebates and payroll contributions, which are helping to sustain properties like ours while these business restrictions endure. We expect operations to resume in July, and a return to previous levels of activity in due course, but it will be a gradual recovery and some time before normal trading conditions are restored as the hospitality industry is highly dependent on tourism and business travel.

Similarly in Thailand, hotels were ordered to cease operations by the authorities in an effort to control the spread of Covid-19 infection. It is expected that these restrictions will be lifted and business resumed in a matter of weeks; generally, the Thai tourism industry is well-known to be resilient in crisis. We have in the interim benefitted from government initiatives aimed at supporting businesses through this challenging period.

In Japan, our two hotels have been leased to local operators who are bearing the financial brunt of the drop in business. They have complied with their rental obligations to date.

The global hospitality sector will revive once international travel is properly restored. In the meantime, we continue to monitor the situation in every country we operate, actively reviewing coping mechanisms in respect of a full range of possible scenarios.

At local level, proactive measures include a push towards systems digitisation, harnessing technology in order to improve operational efficiencies; raising standards of hygiene as part of essential health and safety procedures; negotiating with suppliers and franchise management in order to secure more favourable terms by way of fee concessions and payment deferments; and reviewing training programmes, customer service initiatives as well as short and mid-term manpower requirements.

We are confident that our local management teams are doing their best to maintain our business interests under the circumstances.

Investment Properties

With regard to the investment properties in our portfolio delivering significant recurring income, the majority of the tenants of Sun Plaza and Tampines Mart have actually qualified to remain operational throughout the circuit breaker period. Business at the wet market in Tampines Mart has remained thriving.

For tenants who have lost business from enforced closure or reduced footfall owing to nationwide curfew conditions: rental waivers, deferment of payments and property tax rebates which have been passed on in full have provided relief. In addition to the government's concessions, the Company has agreed to waive approximately two months' worth of rental on a goodwill basis, which will invariably impact the cashflow of both malls.

Restrictions on retail activity will be lifted in Phase 2 of the government's re-opening plan. Management will continue actively to seek out ways to mitigate revenue shortfalls with aggressive marketing campaigns, by revising manpower practices and reducing expenditure to the bare essentials.

Have Heeton's development projects been affected by Covid-19? Are there any changes to their prospects?

In Singapore, Heeton is part of development consortia with three major condominium projects underway: Park Colonial, Affinity at Serangoon and Rezi24. On 30th April, sales for each development stood at around 90%, 67% and 53% respectively. Although sales galleries were closed following the implementation of the circuit breaker, marketing of these projects continue digitally, e.g. through online presentations and virtual viewing.

The projects are not due for completion until 2021 and 2022 and based on current assessment they will meet at least the minimum projected targets. The authorities have also granted property developers a six-month extension in respect of deadlines for completion of residential developments and remission of the Additional Buyers' Stamp Duty.

In the UK, the Company is committed to projects in Leeds and Manchester, both long-term enterprises still at the planning stages of development. A hotel resort building project is in its advanced stages in Bhutan, and in China, the Sino-Singapore Health City Project in Gaobeidian, Hebei Province is nearing the end of construction. None of these is presenting us with significant concerns at this point in time.

In Gaobeidian, Heeton's stake in a substantial residential and hotel scheme marketed as a sports venue is modest, but we are overseeing the development of the 236 room hotel to be launched under the Heeton house brand. Construction work came to a halt with the lockdown in response to the Covid-19 crisis but has resumed since May 2020. The pandemic does not seem to have inhibited sales of the residences, as 60 units were sold in the weeks after the lockdown was lifted, adding to the 182 already transacted.

Generally speaking, in the short-term, we should anticipate delays of varying degrees in the launch dates of our overseas development projects, due to the suspension of construction work imposed by the authorities, supply and manpower challenges attributable to travel and movement restrictions, as well as a prevailing sense of general economic uncertainty. However, we expect restrictions to be eased in the coming weeks and going forward will identify ways to make up for lost time.

Overall we remain confident about the long-term prospects of all our projects world-wide, despite the current challenges.

How well is Heeton placed to meet its financial responsibilities in the coming year, particularly in the wake of Covid-19? What is the cashflow position going forward in view of tougher operating conditions? Will contingencies include the disposal of Heeton's assets?

Since the outbreak of the Covid-19 pandemic, the Company has implemented capital preservation initiatives, aggressively reviewing operational costs and deferring non-essential capital expenditure and non-strategic investments. However, the impact on our revenue streams cannot be denied.

As set out in the recent 4 rescue budgets, the government has made available a range of loans and grants to help Singapore companies cope with the economic fallout that many businesses are experiencing. Like many other organisations, we will be benefitting from rebates and subsidies. We have also applied successfully for fixed term loans at preferential interest rates.

In our subsidiaries all round the world we have implemented a freeze on recruitment, and cancelled non-contractual bonuses and pay-rises. In Singapore, the Directors, Management and Staff of the Group have taken a salary cut of up to 20% as an expression of solidarity during this time of reduced revenue.

Heeton's business portfolio is constantly under review. We will consider the disposal or acquisition of any asset if in the ordinary course of business it is a commercially attractive proposition.

We can confirm that the SGD$75m 6.1% bond due on 08 May 2020 has been fully redeemed, and we are committed to meeting our other financial obligations. We remain confident of our cash position, as well as our ability to raise new funding where necessary.

The dividend for 2019 of 0.3 cents per share is a reduction of that paid in FY2018 of 0.6 cents per share. Can you explain your dividend policy?

The Heeton Board aims to deliver a sustainable dividend pay-out to our shareholders, taking into consideration the profitability, capital requirements and growth objectives of the Group. There is no fixed dividend policy.

The Board is also mindful of the need for capital preservation in the challenging operating environment this year. This is in line with the approach of virtually every other listed company.

The Company is paying a first and final dividend of 0.30 cents per share in respect of financial year 2019 on a share capital of 487,734,735 ordinary shares. This will give rise to a dividend payable of SGD$1.46 million.

In addition to this dividend during financial year 2019, the Company rewarded shareholders with a bonus share issue of one new share for every 2 ordinary shares held.

In previous financial year 2018, a first and final dividend of 0.60 cents per share was paid on a share capital of 325,156,492 ordinary shares, amounting to SGD$1.95 million.

It remains the Company's policy to reward shareholders on a sustainable basis and we will continue our efforts to create greater value for our investors.