HEETON HOLDINGS LIMITED

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

ANNUAL GENERAL MEETING TO BE HELD ON 30 APRIL 2021
RESPONSE TO QUESTIONS FROM SHAREHOLDERS

The Directors of Heeton Holdings Limited (the "**Company**") would like to thank shareholders for submitting their questions in advance of the Annual General Meeting ("**AGM**") for the financial year ended 31 December 2020, which will be held via electronic means on Friday 30 April 2021 at 9.30am. The Appendix sets out the Company's response to the questions received from shareholders in a summary format.

By order of the Board

TOH GIAP ENG
EXECUTIVE DIRECTOR AND DEPUTY CHAIRMAN

29 April 2021

Appendix

1) What was the impact of the Covid-19 pandemic on Heeton's hotels?

The Covid-19 pandemic had a devastating impact on the economies of the world for most of 2020 and the travel and tourism industry was and remains one of the worst-hit sectors. All the group's 14 hotels worldwide were badly affected by travel and movement restrictions both foreign and domestic were imposed by the government sporadically throughout the year, leaving hotels to fight for their share of a market limited to domestic key workers, front-liners and those with exceptional reasons for travel.

In the UK, where the group has 10 hotels, Heeton's UK regional limited-service hotels saw occupancies drop from 76% in 2019 to 41% in 2020, with room rates falling from an average of £60 in 2019 to £45 in 2020. Full-service hotel room rates fell from 81% to 27%, with corresponding occupancies of 92% and 72%.

In Thailand, the Group has two hotels in Pattaya City, the five star Hotel Baraquda Pattaya, MGallery Collection and the four star Mercure Hotel Pattaya. Occupancy at the Hotel Baraquda Pattaya, MGallery Collection dropped from 79% in 2019 to 31% in 2020; we fared better with the Mercure Hotel Pattaya, which successfully applied to be designated a quarantine hotel in June 2020, a strategy which helped to maintain an occupancy of over 50% from a 2019 average of 75%.

In Japan, where hotel occupancies and rates have also fallen drastically, the Group's two hotels in Tokyo and Sapporo are leased out to Operators who have borne the brunt of the downturn; to date they have honoured the payment terms of their respective agreements.

2) What measures have been taken to mitigate the impact of Covid-19 on Heeton's businesses?

2020 has been turbulent for Heeton 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.

Throughout most of 2020, and ongoing into 2021, the Group's management teams all round the world have been in survival mode, comprehensively overhauling operating practices and strategies to maintain business viability.

Hotels have been forced to explore new markets, focusing on key workers from the medical and construction sectors, developing quarantine facilities, long-term accommodation and social housing. The focus has been to source as much Covid-19 proof business as possible.

Standard cost control measures include contract and supplier reviews, stock rationalisation, closing off building floors where possible, and implementing manpower efficiencies. Reductions of up to 30% have been applied to salaries of Heeton personnel right up to Director level.

The Group has also been taking advantage of government support in the form of furlough schemes, business rate and insurance suspensions, and low-interest loans.

Every country has emerged with its own unique support programmes that local businesses have been able to access. In the UK the Corona virus business interruption scheme (CBILS) continues to subsidise SMEs heavily. In Thailand, the government's Travel Together scheme aims to boost domestic tourism with a subsidised travel voucher scheme, available to all citizens; barring further waves of Covid-19 infection, the programme is expected to help lift the sector by generating an expected 15.5 billion baht (US$500 million) of revenue.

Although the Group's hotels in Japan are on a fixed rental and Heeton is not involved in their operations, the welfare of the hotel Operators is of interest to the Group and it benefits indirectly from national stimulus initiatives like Go to Travel, a programme of travel subsidies which aims at encouraging domestic spending and leisure activities, as well as business loans underwritten by the government to maintain the solvency of business enterprises.

The Group will continue to monitor the situation in every country it operates, actively reviewing operational efficiencies while keeping employees and customers safe.

3) What has been the impact of Covid-19 on Heeton's development and investment businesses?

Heeton is involved in three residential development projects that are expected to TOP in 2021 and 2022. As at end of Q1 2021, sales in Park Colonial have risen to 99.25%, Affinity to 87.32% and Rezi24 to 99.2%.

The Singapore residential market does not appear to have been negatively impacted by Covid-19 significantly; sales data indicate a rise in property prices and numbers of transactions in 2020 compared with 2019, so much so that cooling measures might be on the cards in 2021, despite the authorities having granted property developers a six months' extension in respect of deadlines for Additional Buyers Stamp Duty in 2020.

The Group's overseas development projects can be expected to be delayed because of precautionary measures imposed by governments as a response to the pandemic, primarily the supply and manpower challenges owing to travel and movement restrictions.

In the UK, still ravaged by the Covid-19 virus and sporadic lockdowns, Heeton has suspended work on its mixed-use developments in Leeds and hotel development in Manchester until more normal working conditions are restored. The Group remains committed to these projects, which are expected to recommence in 2021.

In Gaobeideian, China, construction of a mixed use development has resumed after a brief hiatus. The scheme is part of a larger township project that includes a significant residential component, which has sold well despite the economic uncertainty created by the pandemic.

Construction of the Group's luxury hotel resort project in Bhutan is also underway despite delays that will see a revised completion date of Q3 2022.

Heeton's investment properties comprise mainly the two malls in Singapore and a suite of serviced offices in London, UK. The latter, Adam House, is a centrally located building in a premium conservation area that has already recovered much of its lost business at the height of the pandemic. Occupancy for 2020 was reported at 77% compared with 95% in 2019.

Business at the Group's two malls in Singapore decreased significantly during the circuit breaker period (April 2020- July 2020), which saw all retail activities suspended except for essential services and supplies, including take-out food and beverage. However, recovery was swift once the lockdown was lifted, and the year ended profitably for both properties despite being down year on year, with Sun Plaza delivering revenue of $20.02 million for 2020, compared with $24.8m in 2019, and Tampines Mart delivering $4.91million as compared with $6.95 million in 2019.

Overall, we remain optimistic about the long-term prospects of all our development projects and investment properties world-wide, despite the current challenges. While the pandemic continues to undermine trading, 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. We are confident that our local management teams are doing their best to maintain our business interests under the circumstances.

4) **What are the recovery prospects and outlook for Heeton in the coming year?**

The consensus of opinion across multiple industry sectors is that the global economy will revive once international travel is properly restored.

Each country has its own recovery roadmap.

The value of the Group's Singaporean real estate assets have been retained if not increased; the bulk of its operating assets however are overseas.

As at Q1 2021, the outlook for the UK is positive, with infection and mortality rates in decline and a vaccination programme ahead of target. The spate of lockdowns in 2020 and early 2021 combined with restrictions on foreign travel both in and out of the country is expected to unleash a surge of demand for domestic holidays and staycations once fully lifted that will boost hotel occupancies, especially in key leisure destinations like Liverpool, Leeds and Edinburgh in the UK.

In Thailand, businesses are pinning their hopes on mass vaccinations as the only way to exit the worst economic crisis in its history. A country-wide programme is set to commence in May 2021; in the meantime, hotels continue to pursue every marketing and positioning angle to secure an advantage over the competition. As a mid-market 247 rooms hotel, the Mercure Hotel Pattaya was successful in its application to be designated by the authorities as a quarantine hotel, and since June 2020 has been able to deliver a positive Net Operating Profit. However, following the example of more than 50% of the hotels in Pattaya, the 5-star Hotel Baraquda Pattaya, MGallery Collection has opted to shut its doors temporarily with effect from Q1 2021 as a way of minimising losses, until more concrete signs of recovery materialise.

In Japan, the Government has launched a series of initiatives and policies to support the economy while keeping the nation safe. The Olympics, postponed from 2020, is scheduled to take place in 2021 despite maintaining travel restrictions that will see it go ahead without foreign spectators. Despite sporadic lapses, infection rates in the country remain generally under control, and the prospect of a swift recovery and a return to previous trading conditions once the vaccination programme hits its threshold is positive and encouraging in the long-term.

Since the outbreak of the Covid-19 pandemic, in order to safeguard its long-term viability, the Group has implemented capital preservation initiatives, and applied for government sponsored rebates and subsidies and loans at preferential interest rates. In November 2020 Heeton also raised capital through the issuance of unsecured bonds with a value of $70.3 million, at a coupon rate of 6.80%. Although higher than the interest rate of 6.08% of the Group's previous $75 million bond, this was regarded as justifiable under prevailing economic conditions and was well subscribed, putting Heeton in a position to move quickly at a time when opportunities for strategic and well-priced acquisitions can be expected to surface.

Despite the uncertainty created by the pandemic, the aim to become a prominent hospitality player on the international stage remains unchanged, and the Group continues to look out for suitable acquisitions as part of a long-term investment narrative.

In Q3 of 2020, Heeton acquired its 14th hotel, the Liverpool Days Inn, for its portfolio on terms considered advantageous to the purchaser. The 154-room hotel is strategically located in the heart of the city and is currently being refurbished after re-branding as a Heeton Concept hotel.

As part of its asset review policy, the Group will consider the disposal and acquisition of any asset if, in the ordinary course of business, it is a commercially attractive proposition.