Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Heeton Holdings Limited

Stock code: 5DP

Meeting details:
Date: 30 April 2021
Time: 9.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. The group reported a loss for the year of $(26.2) million even though it recognised a gain from fair value adjustments of its investment properties amounting to $54.6 million. In particular, investment properties were revalued up from $172.0 million to $223.98 million. The group recorded a net fair value gain of $54.58 million in FY2020 from its investment properties, mainly 62 Sembawang Road.

Management is cognisant that a full recovery in the tourism sector will only materialise after a meaningful recovery in large scale international travel. The group will take the opportunity to review and reposition its portfolio of hotels to operate more efficiently and competitively in a post-COVID environment.

(i) **New leadership:** Mr Ivan Hoh was appointed the chief executive officer of the group on 1 January 2021. **Would the CEO be giving shareholders a presentation during the AGM to provide an overview of the FY2020 highlights and the opportunities and priorities for the group in the next 18-24 months?** The CEO's message can be found on pages 6 to 8 of the annual report.

(ii) **Hotel operations: Can management provide shareholders with greater clarity on the occupancy rates of its hotels?** The group has a portfolio of 14 hotels in various cities such as Pattaya, London, Brisbane. **Which hotels were most affected and which hotels are seeing the strongest recovery?**

(iii) **Investment property (Sun Plaza): What is the strategic value of Sun Plaza to the group? Has the board evaluated the opportunity to recycle capital from its mature assets?**

Q2. In the consolidated statement of comprehensive income, it can be seen that finance expenses for FY2020 and FY2019 amounted to $19.1 million and $20.9 million respectively. The group paid interest expense of $6.96 million and $9.00 million on bank loans and on bonds respectively. Interest expense on bonds was lower in FY2020 due to the repayment of the $75 million bond.

As disclosed in Note 27 (page 122 – Bonds), the two bond issues that are outstanding are:
- $66.0 million bond with a fixed rate of 6.08% due July 2021
- $70.3 million bond with a fixed rate of 6.80% due November 2023

The $66,000,000 bonds issued in 2018 are unsecured, bear interest at a fixed rate of 6.08% per annum and will mature in July 2021. In November 2020, the company issued new $70,300,000 bonds that are unsecured and bear interest at a fixed rate of 6.80% per annum. The earlier $75 million bond that expired had fixed rate of 6.10%.

(i) **Did the board/management analyse if the higher coupon rate (6.80%) for the new $70.3 million bonds is due to company-specific reasons/risks?**

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With the higher coupon rates, the interest expense will go up again. The gearing ratio (page 143) as at 31 December 2020 was 57% as defined by net debt ($562.7 million) divided by total capital plus net debt ($993.1 million).

(ii) **Given the uncertainty in the economy, especially the hospitality sector, does the board consider it prudent to review the group's capital structure and gearing?**

(iii) **Has the board evaluated the cost of capital and compare it with the returns achieved by the group?**

Q3. On 15 April 2021, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2020 following the finalisation of audit.

The announcement on unaudited financial results for the financial year ended 31 December 2020 was first released via SGXNet on 24 February 2021.

The announcement on material variance came more than 7 weeks after the company first announced the unaudited financial statements.

The changes following the finalisation of audit include:
- impairment losses on financial assets increased by $(16.8) million or 2,802% to $(17.4) million
- impairment of property, plant and equipment was reduced by $(46.6) million to $(41.8) million
- assets held for sale recognised at $4.5 million
- Other receivables decreased by $(15.2) million from $35.1 million to $19.9 million

The large increase in impairment losses on financial assets was due to the recognition of additional provision for expected credit loss from the group's other receivables and amount due from associated companies amounting to $(15.2) million and $(1.6) million respectively.

Loss for the year increased from $(15.69) million (unaudited) to $(27.6) million (audited).

(i) **What was the reason for the additional provision of expected credit loss?**

(ii) **How did the company (and the AC in the review) not include the expected credit loss in the unaudited financial statement released by the company on 24 February 2021 prior to the finalisation of audit?**

(iii) **Is the group and its officers familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))?**

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(iv) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**

(v) **Has the audit committee (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)