



HEETON HOLDINGS LIMITED
Co. Reg. No. 197601387M

THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR NINE MONTHS ENDED 30 SEPTEMBER 2017

**PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED RESULTS FOR THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017

	Group					
	3Q2017	3Q2016	Increase / (Decrease)	9 Months Ended 30 September		Increase / (Decrease)
	S\$'000	S\$'000	%	2017 S\$'000	2016 S\$'000	%
Revenue	13,038	18,783	(30.6)	47,477	46,577	1.9
Cost of properties sold	(8,819)	(9,944)	(11.3)	(27,978)	(21,777)	28.5
Other operating income	2,427	132	1,738.6	3,874	2,096	84.8
Personnel expenses	(3,409)	(1,863)	83.0	(7,779)	(5,694)	36.6
Depreciation of fixed assets	(127)	(91)	39.6	(344)	(241)	42.7
Other operating expenses	(3,961)	(3,988)	(0.7)	(10,936)	(13,052)	(16.2)
Loss on disposal of subsidiaries	-	(12,880)	n.m	-	(12,880)	n.m
Gain on disposal of a joint venture company	27,980	-	n.m	27,980	-	n.m
Profit/(Loss) from operations	27,129	(9,851)	(375.4)	32,294	(4,971)	(749.6)
Finance expenses	(2,945)	(3,029)	(2.8)	(8,928)	(9,537)	(6.4)
Finance income	1,115	869	28.3	2,677	2,982	(10.2)
Share of results of associated companies/joint venture companies	1,773	306	479.4	7,976	11,015	(27.6)
Gain from fair value adjustment of investment properties	-	-	n.m	7,800	-	n.m
Profit/(Loss) before tax	27,072	(11,705)	(331.3)	41,819	(511)	(8,283.8)
Income tax expense	249	451	(44.8)	(1,432)	(1,165)	22.9
Profit/(Loss) for the period, net of tax	27,321	(11,254)	(342.8)	40,387	(1,676)	(2,509.7)
Other comprehensive income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation	1,147	(1,063)	n.m	1,857	(9,017)	n.m
Total comprehensive income/(expense) for the period	28,468	(12,317)	(331.1)	42,244	(10,693)	(495.1)
Profit/(Loss) attributable to:						
Owners of the parent	27,178	(11,249)	n.m	40,299	(1,887)	n.m
Non-controlling interests	143	(5)	n.m	88	211	(58.3)
	27,321	(11,254)	(342.8)	40,387	(1,676)	(2,509.7)
Total comprehensive income/(expense) attributable to:						
Owners of the parent	28,306	(12,447)	n.m	42,081	(11,006)	n.m
Non-controlling interests	162	130	24.6	163	313	(47.9)
	28,468	(12,317)	(331.1)	42,244	(10,693)	(495.1)

1(b)(i) **A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

UNAUDITED BALANCE SHEETS

	Group		Company	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016
	\$'000	\$'000	\$'000	\$'000
Non-Current Assets				
Fixed assets	137,172	120,338	548	577
Investment properties	182,155	170,050	-	-
Subsidiaries	-	-	24,583	24,583
Associated companies	68,949	73,240	-	-
Joint venture companies	94,919	82,140	5,000	5,000
Amounts due from associated companies, joint venture companies and investee companies	158,256	125,572	-	-
Other investments	218	218	-	-
Intangible assets	109	109	-	-
Other receivables	22,000	4,000	4,000	4,000
	663,778	575,667	34,131	34,160
Current assets				
Development properties	59,650	106,790	41,977	90,907
Trade receivables	11,118	794	10,106	-
Other receivables	26,611	20,799	16,987	14,855
Prepayments	1,065	1,488	30	248
Amounts due from subsidiaries (non-trade)	-	-	222,652	178,572
Amounts due from related parties (trade)	12	14	-	-
Amounts due from joint venture company (non-trade)	693	333	33	33
Amounts due from joint venture company (trade)	-	339	-	-
Fixed deposits	4,101	654	3,583	505
Cash and bank balances	27,270	27,114	15,027	13,436
	130,520	158,325	310,395	298,556
Current Liabilities				
Trade payables	4,457	6,769	3,394	4,615
Other payables and accruals	11,284	6,896	4,814	3,037
Derivative financial instrument	90	149	-	-
Amounts due to subsidiaries (non-trade)	-	-	81,347	60,237
Finance lease obligations	76	76	50	50
Bonds	-	58,750	-	58,750
Short-term bank loans	14,000	14,000	14,000	14,000
Bank term loans	76,078	120,713	-	58,745
Bank overdrafts	487	-	-	-
Income tax payable	2,534	1,955	508	278
	109,006	209,308	104,113	199,712
Net current assets/(liabilities)	21,514	(50,983)	206,282	98,844
Non-current liabilities				
Other payables and accruals	1,740	1,043	-	-
Finance lease obligations	209	264	154	192
Amounts due to associated companies and joint venture companies (non-trade)	47,234	43,660	16,185	15,508
Amounts due to non-controlling interests (non-trade)	34,063	27,156	-	-
Bond	75,000	-	75,000	-
Bank term loans	138,626	103,846	37,000	-
Deferred tax liabilities	2,538	3,125	1,715	2,309
	(299,410)	(179,094)	(130,054)	(18,009)
Net assets	385,882	345,590	110,359	114,995
Share capital and reserves				
Share capital	86,624	86,624	86,624	86,624
Foreign currency translation reserve	(7,562)	(9,344)	-	-
Asset revaluation reserve	2,768	2,768	-	-
Retained earnings	302,112	263,765	23,735	28,371
	383,942	343,813	110,359	114,995
Non-controlling interests	1,940	1,777	-	-
Total equity	385,882	345,590	110,359	114,995

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/09/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
84,141	6,500	120,789	72,750

Amount repayable after one year

As at 30/09/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
138,835	75,000	104,110	-

Details of any collateral

All secured borrowings of the Group are secured by first legal mortgages and assignment of rental and sales proceeds of the investment properties and development properties of the borrowing companies. Lease obligations are secured on the assets purchased under lease financing.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED THIRD QUARTER AND NINE MONTHS CASH FLOW STATEMENTS

	Group			
	3Q2017 \$'000	3Q2016 \$'000	9 Months Ended 30 September	
			2017 \$'000	2016 \$'000
Cash flows generated from operating activities				
Profit/(Loss) before tax	27,072	(11,705)	41,819	(511)
Adjustments for:				
Depreciation of fixed assets	127	91	344	241
(Gain)/Loss in fair value of derivative financial instrument	(16)	(9)	(60)	168
Gain on disposal of fixed assets	-	-	-	(71)
Gain from fair value adjustment of investment properties	-	-	(7,800)	-
Share of results of associated companies/joint venture companies	(1,773)	(306)	(7,976)	(11,015)
Interest expense	2,945	3,029	8,928	9,537
Interest income	(1,115)	(869)	(2,677)	(2,982)
Loss on disposal of subsidiaries	-	12,880	-	12,880
Gain on disposal of a joint venture company	(27,980)	-	(27,980)	-
Unrealised exchange differences	(105)	700	(292)	1,135
Operating cash flows before changes in working capital	(845)	3,811	4,306	9,382
Decrease (Increase) in development properties	8,443	(6,483)	47,630	(16,667)
Decrease (Increase) in trade receivables	7,623	647	(10,299)	(215)
(Increase) Decrease in other receivables	(2,296)	803	(1,778)	2,295
Decrease in prepayments	190	998	442	1,400
(Decrease) Increase in trade payables	(1,040)	(1,216)	(2,364)	3,158
Increase in other payables and accruals	2,857	989	3,833	2,417
(Increase) Decrease in amounts due from related parties, net	-	(3,503)	2	(3)
Cash flows from (used in) operations	14,932	(3,954)	41,772	1,767
Interest received	1,115	869	2,677	2,982
Interest paid, excluding amounts capitalised	(2,945)	(3,029)	(8,928)	(9,537)
Income taxes (paid)/refund	(687)	(41)	(1,475)	149
Net cash from (used in) operating activities	12,415	(6,155)	34,046	(4,639)

UNAUDITED THIRD QUARTER AND NINE MONTHS CASH FLOW STATEMENTS (CONTINUED)

	Group			
	3Q2017	3Q2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash flows from investing activities				
Purchase of fixed assets	(8,476)	(3,038)	(14,037)	(24,801)
Acquisition of investment properties	-	-	(3,556)	-
Repayment from/(Loan to) investee company	367	-	(2,778)	-
(Net loan to)/Net repayment of loan from associated companies and joint venture companies	(43,503)	11,611	(34,210)	11,421
Proceeds from disposal of a joint venture company	15,000	-	15,000	-
Net cash (used in) from investing activities	(36,612)	8,573	(39,581)	(13,380)
Cash flows from financing activities				
(Repayment of)/Proceeds of lease obligations, net	(19)	(4)	(55)	104
Proceeds from bank loans	-	9,174	27,644	21,442
Repayment of bank loans	(11,558)	(974)	(39,897)	(8,774)
Loan from/(Repayment of loan to) non-controlling interests	4,094	(3,613)	6,289	4,413
Proceeds from bond issue	-	-	75,000	-
Repayment of bond issue	-	-	(58,750)	-
Dividends paid on ordinary shares of the Company	-	-	(1,952)	(1,952)
Net cash (used in) from financing activities	(7,483)	4,583	8,279	15,233
Net (decrease)/increase in cash and cash equivalents	(31,680)	7,001	2,744	(2,786)
Effect of exchange rate changes on cash and cash equivalents	219	(204)	372	(1,576)
Cash and cash equivalents at beginning of period	62,345	11,167	27,768	22,326
Cash and cash equivalents at end of period	30,884	17,964	30,884	17,964

Note: Cash and cash equivalents

	Group			
	3Q2017	3Q2016	9 Months Ended	
	\$'000	\$'000	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	4,101	592	4,101	592
Cash and bank balances	27,270	26,629	27,270	26,629
Bank overdrafts	(487)	(9,257)	(487)	(9,257)
Cash and cash equivalents	30,884	17,964	30,884	17,964

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

UNAUDITED STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of the Company						Non-controlling Interests S\$'000	Total Equity S\$'000
	Share Capital S\$'000	Foreign Currency Translation Reserve S\$'000	Asset Revaluation Reserve S\$'000	Retained Earnings S\$'000	Total S\$'000			
Balance at 1 January 2016	86,624	(215)	-	253,236	339,645	1,172		340,817
Total comprehensive (expense)/income for the period	-	(9,119)	-	(1,887)	(11,006)	313		(10,693)
Dividends	-	-	-	(1,952)	(1,952)	-		(1,952)
Balance at 30 September 2016	86,624	(9,334)	-	249,397	326,687	1,485		328,172
Balance at 1 January 2017	86,624	(9,344)	2,768	263,765	343,813	1,777		345,590
Total comprehensive income for the period	-	1,782	-	40,299	42,081	163		42,244
Dividends	-	-	-	(1,952)	(1,952)	-		(1,952)
Balance at 30 September 2017	86,624	(7,562)	2,768	302,112	383,942	1,940		385,882

Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
Balance at 1 January 2016	86,624	69,500	156,124
Total comprehensive expense for the period	-	(44,576)	(44,576)
Dividends	-	(1,952)	(1,952)
Balance at 30 September 2016	86,624	22,972	109,596
Balance at 1 January 2017	86,624	28,371	114,995
Total comprehensive expense for the period	-	(2,684)	(2,684)
Dividends	-	(1,952)	(1,952)
Balance at 30 September 2017	86,624	23,735	110,359

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on

State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There is no change in the Company's share capital for the period from 1 January 2017 to 30 September 2017.

There are no outstanding convertible securities as at 30 September 2017 and 31 December 2016.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year

The Company did not hold any treasury shares as at 30 September 2017 and 31 December 2016.

The total number of issued ordinary shares (excluding treasury shares) as at 30 September 2017 and 31 December 2016 was 325,156,492.

The Company did not issue any preference shares as at 30 September 2017 and 31 December 2016.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the period ended 30 September 2017.

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2016 as well as applicable Financial Reporting Standards (FRS) which became effective for financial years beginning on or after 1 January 2017.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

EARNINGS PER SHARE

	Group					
	3Q2017	3Q2016	Increase	9 Months Ended		Increase
				2017	2016	
	Cents	Cents	%	Cents	Cents	%
Earnings per ordinary share from continuing operations attributable to equity holders of the Company for the period						
(a) On a basic basis	8.36	(3.46)	N.M.	12.39	(0.58)	N.M.
(b) On a fully diluted basis	8.36	(3.46)	N.M.	12.39	(0.58)	N.M.

The above have been computed based on 325,156,492 weighted average number of ordinary shares for the 9 months ended 30 September 2017 and 9 months ended 30 September 2016.

**7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-
(a) current period reported on; and
(b) immediately preceding financial year**

	Group		Company	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	118.08	105.74	33.94	35.37

The above have been computed based on 325,156,492 ordinary shares in issue as at 30 September 2017 and 31 December 2016.

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Commentary on the Consolidated Income Statements

Turnover comprises rental income from investment properties, hotel operation income and management fee as well as proceeds from the sales of the Group's residential projects.

The Group's turnover for the nine month period ended 30 September 2017 ("3Q2017") of \$47.47 million was fairly stable as compared to the previous corresponding period ended 30 September 2016 ("3Q2016").

Cost of properties sold in 3Q2017 and 3Q2016 is primarily attributed to residential project, Onze@Tanjong Pagar.

Other operating income increased by 84.8% to \$3.87 million in 3Q2017 mainly due to \$1.82 million of abortive sales proceeds from Onze@Tanjong Pagar.

Personnel expenses increased by \$2.09 million to \$7.78 million in 3Q2017 as a result of increase in headcounts following the expansion of UK operation and directors incentive bonus.

Other operating expenses decreased to \$10.94 million in 3Q2017 from \$13.05 million in 3Q2016 as a result of the following factors: (i) there was qualifying certificate extension fee of \$4.37 million incurred in 3Q2016 for residential project iLiv@Grange. This project was disposed off during 3Q2016; (ii) bonds issuances expenses of \$1.00 million relating to the 3-year bond of \$75.00 million in May 2017; and (iii) increase in operating expenses of \$0.72 million following the opening of Luma Concept London Hotel.

Loss on disposal of subsidiaries in 3Q2016 was due to the disposal of subsidiaries that owned the residential project, iLiv@Grange.

Gain on disposal of a joint venture company of \$27.98 million in 3Q2017 came about from the disposal of Buildhome Pte. Ltd. ("Buildhome") which owned the residential project, The Lumos.

Finance expenses decreased to \$8.93 million in 3Q2017 from \$9.54 million in 3Q2016. This is mainly due to lower interest-bearing bank term loans as a result of the disposal of iLiv@Grange in 3Q2016.

Finance income decreased 10.2% to \$2.68 million in 3Q2017 from \$2.98 million in 3Q2016 mainly due to decrease in interest-bearing loans to associated companies.

Share of profits from associated companies/joint venture companies decreased by 27.6% to \$7.98 million in 3Q2017 from \$11.02 million in 3Q2016. This was mainly attributed to decrease in progressive profit recognition of residential projects, NEWest and KAP and KAP Residences after their completion in 4Q2016.

The Group recorded a \$7.80 million fair value gain in 1H2017 from its investment properties, Tampines Mart and Woodgrove.

Taking into account the above factors, the Group recorded a net profit after tax of \$40.39 million for 3Q2017, compared to a net loss after tax of \$1.68 million recorded in 3Q2016.

Commentary on the Consolidated Balance Sheets

Fixed assets amounting to \$137.17 million mainly comprised the following hotel properties (i) land site for hotel development in Brisbane, Australia; (ii) Hotel ibis Styles London Kensington in London, UK; (iii) ibis Budget Bradford in Bradford City, UK; (iv) ibis Hotel Gloucester in Gloucester City, UK; (v) Luma Concept Hotel London at Glenthorne Road, London, UK; and (vi) a newly acquired property in Manchester City, UK.

Investment properties increased from \$170.05 million to \$182.16 million in 3Q2017 mainly due to acquisition of investment properties at Parr Street, London, UK and recognition of fair value gain of \$7.80 million on the Group's investment properties in 1H2017.

Amounts due from associated companies, joint venture companies and investee companies increased from \$125.57 million to \$158.26 million mainly due to loan to a joint venture company for purchase of property development land.

Non-current other receivables increased from \$4.00 million to \$22.00 million as the Group had subscribed to Notes of \$18.00 million in Buildhome, which will be repayable in year 2020.

Development properties decreased from \$106.79 million to \$59.65 million in 3Q2017 due to sales of residential project, Onze@Tanjong

Trade receivables increased to \$11.12 million from \$794,000 mainly due to accrued receivables for sales proceeds from Onze@Tanjong Pagar as it obtained TOP in mid-January 2017.

Other receivables increased by \$5.81 million from \$20.80 million mainly due to deferred consideration of \$5.80 million to be received from the disposal of Buildhome in 3Q2017.

Other payables increased by \$4.39 million from \$6.90 million in 3Q2017 mainly due to expansion and new UK hotels operation as well as accruals of bond interest which is payable in November 2017.

The \$58.75 million bond issued in June 2014 was redeemed in June 2017. In May 2017, the Company issued a fixed rate 3-year bond of \$75.00 million at coupon rate of 6.1% per annum. The bond will mature in May 2020.

Amounts due to non-controlling interests represents loans from non-controlling interests for various overseas projects.

Commentary on the Cash Flow Statements

Cash and cash equivalents increased by \$3.12 million in 3Q2017 and can be attributed to the following major cash inflows and outflows during the period:

Cash inflows:

- net cash generated from operating activities of \$34.05 million;
- net proceeds from bond issuance and redemption of \$16.25 million; and
- proceeds from disposal of a joint venture company of \$15.00 million.

Cash outflows:

- net loan to associated companies and joint venture companies of \$34.21 million mainly for the purchase of land parcel at Woodleigh Lane for residential development;
- net cash outflow of \$14.04 million for purchase of fixed assets comprising mainly the acquisition of a property in Manchester City and construction costs incurred for the development of Luma Concept Hotel London at Glenthorne Road, London, UK; and
- net repayment of bank loans of \$12.25 million.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The actual results for the third quarter and nine months ended 30 September 2017 of the Group are in line with the statement made in paragraph 10 of the results announcement for the half year ended 30 June 2017.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months -

Overall confidence in the local residential property market has increased after a prolonged period of weak sentiments. The Real Estate Sentiment Index (Resi)¹, which gives an overall indicator of the local property market sentiment, had a composite reading of 6.6 in the third quarter, an improvement from 6.1 in the second quarter.

The market continues to see a healthy volume of sales in both primary and secondary market. The unsold units was 17,200 as of 3Q2017, the lowest in the last 5 years. Additionally, the prices of private residential properties had increased for the first time since 4th Quarter 2013. According to the statistics released by Urban Redevelopment Authority on 27 October 2017, the prices of private residential properties increased by 0.7% in 3rd Quarter 2017, compared with the 0.1% decline in the previous quarter. The Group is cautiously optimistic about the outlook for the Singapore residential market.

On the property development front, the Group participated in two new local joint venture projects earlier this year. The Group will continue to seek suitable development projects in Singapore and beyond.

For our hospitality segment, the Group acquired one more property in Manchester City, UK during the quarter under review. Currently, the Group has a total of eight operating hotels in the United Kingdom, Japan, and Thailand. Five of these hotels are managed by Heeton's hospitality division. With this latest acquisition, there are three hotel developments in the pipeline. Going forward, the Group will continue to explore more opportunities to expand its recurring income base.

¹ The Index is jointly developed by the Real Estate Developers' Association of Singapore (Redas) and the Department of Real Estate at the National University of Singapore

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii)

The Company has not obtained a general mandate from shareholders for Interested Person Transactions.

14 Negative assurance on interim financial results

The board of directors hereby confirm that, to the best of its knowledge, nothing has come to its attention which may render the financial results for the nine months ended 30 September 2017 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Toh Giap Eng
Executive Deputy Chairman
7 November 2017

Teng Heng Chew Eric
CEO & Executive Director