



HEETON HOLDINGS LIMITED
Co. Reg. No. 197601387M

HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR SIX MONTHS ENDED 30 JUNE 2015

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 SECOND QUARTER AND HALF-YEAR ENDED 30 JUNE 2015

	Group					
	2Q2015 S\$'000	2Q2014 S\$'000	Increase / (Decrease) %	HY2015 S\$'000	HY2014 S\$'000	Increase / (Decrease) %
Revenue	9,103	22,763	(60.0)	16,106	25,444	(36.7)
Cost of properties sold	(3,017)	(17,649)	(82.9)	(5,010)	(17,649)	(71.6)
Other operating income	777	787	(1.3)	1,551	1,509	2.8
Personnel expenses	(1,356)	(1,085)	25.0	(2,639)	(1,893)	39.4
Depreciation of fixed assets	(53)	(55)	(3.6)	(110)	(109)	0.9
Other operating expenses	(1,425)	(4,283)	(66.7)	(4,417)	(5,393)	(18.1)
Profit from operations	4,029	478	742.9	5,481	1,909	187.1
Finance expenses	(4,063)	(2,504)	62.3	(7,686)	(4,501)	70.8
Finance income	1,305	899	45.2	2,708	1,747	55.0
Share of results of associated companies/joint venture companies	16,100	2,899	455.4	18,680	5,115	265.2
Gain from fair value adjustment of investment properties	-	3,000	(100.0)	-	3,000	(100.0)
Provision for foreseeable losses in development property	(16,000)	-	N.A.	(16,000)	-	N.A.
Profit before tax	1,371	4,772	(71.3)	3,183	7,270	(56.2)
Income tax expense	(604)	(328)	84.1	(1,193)	(396)	201.3
Profit for the period, net of tax	767	4,444	(82.7)	1,990	6,874	(71.1)
Other comprehensive income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation	811	1,017	(20.3)	1,170	499	134.5
Total comprehensive income for the period	1,578	5,461	(71.1)	3,160	7,373	(57.1)
Profit attributable to:						
Owners of the parent	1,191	4,536	(73.7)	2,651	6,952	(61.9)
Non-controlling interests	(424)	(92)	100.0	(661)	(78)	100.0
	767	4,444	(82.7)	1,990	6,874	(71.1)
Total comprehensive income attributable to:						
Owners of the parent	1,276	5,553	(77.0)	3,095	7,451	(58.5)
Non-controlling interests	302	(92)	100.0	65	(78)	100.0
	1,578	5,461	(71.1)	3,160	7,373	(57.1)

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	
	30/6/2015	31/12/2014	30/6/2015	31/12/2014
	\$'000	\$'000	\$'000	\$'000
Non-Current Assets				
Fixed assets	100,349	68,291	109	161
Investment properties	173,949	172,333	-	-
Subsidiaries	-	-	25,606	25,606
Associated companies	52,823	44,022	-	-
Joint venture companies	59,717	50,330	5,000	5,000
Amounts due from associated companies, joint venture companies and investee companies	185,937	175,327	-	-
Other investments	218	218	-	-
Intangible assets	109	109	-	-
Deferred tax assets	3	-	3	-
	573,105	510,630	30,718	30,767
Current assets				
Development properties	192,140	210,694	71,904	73,679
Trade receivables	504	159	42	-
Other receivables	9,064	8,670	3	3
Prepayments	560	574	38	19
Amounts due from subsidiaries (non-trade)	-	-	244,150	219,002
Amounts due from related parties (trade)	13	37	-	-
Amounts due from joint venture company (non-trade)	-	1,293	2,392	1,293
Fixed deposits	10,209	20,036	10,044	19,221
Cash and bank balances	27,312	19,485	4,313	13,344
	239,802	260,948	332,886	326,561
Current Liabilities				
Trade payables	8,591	5,944	1,127	1,272
Other payables and accruals	7,976	5,135	1,812	2,032
Amounts due to subsidiaries (non-trade)	-	-	32,698	29,729
Lease obligations	3	20	-	-
Bonds	75,000	75,000	75,000	75,000
Bank term loans	94,939	92,139	4,000	-
Bank overdrafts	1,323	-	-	-
Income tax payable	1,514	1,407	132	-
	189,346	179,645	114,769	108,033
Net current assets	50,456	81,303	218,117	218,528
Non-current liabilities				
Other payables and accruals	1,007	1,025	-	-
Amounts due to associated companies and joint venture companies (non-trade)	36,763	36,079	-	-
Amounts due to non-controlling interests (non-trade)	29,923	-	-	-
Bond	60,000	60,000	60,000	60,000
Bank term loans	184,193	167,923	60,995	60,995
Deferred tax liabilities	539	159	539	159
	(312,425)	(265,186)	(121,534)	(121,154)
Net assets	311,136	326,747	127,301	128,141
Share capital and reserves				
Share capital	58,803	58,803	58,803	58,803
Translation reserve	(596)	(1,040)	-	-
Retained earnings	250,237	249,197	68,498	69,338
	308,444	306,960	127,301	128,141
Non-controlling interests	2,692	19,787	-	-
Total equity	311,136	326,747	127,301	128,141

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

Amount repayable in one year or less, or on demand

As at 30/06/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
96,265	75,000	92,159	75,000

Amount repayable after one year

As at 30/06/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
184,193	60,000	167,923	60,000

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 SECOND QUARTER AND HALF-YEAR CASH FLOW STATEMENTS

	Group			
	2Q2015 \$'000	2Q2014 \$'000	HY2015 \$'000	HY2014 \$'000
Cash flows generated from operating activities				
Profit before tax	1,371	4,772	3,183	7,270
Adjustments for:				
Depreciation of fixed assets	53	56	110	109
Loss on disposal of fixed assets	-	-	874	-
Gain from fair value adjustment of investment properties	-	(3,000)	-	(3,000)
Share of results of associated companies/joint venture companies	(16,100)	(2,899)	(18,680)	(5,115)
Provision for foreseeable losses on development property	16,000	-	16,000	-
Interest expense	4,063	2,504	7,686	4,501
Interest income	(1,305)	(899)	(2,708)	(1,747)
Unrealised exchange differences	330	21	237	21
Operating cash flows before changes in working capital	4,412	555	6,702	2,039
(Increase) decrease in development properties	(1,357)	14,417	2,554	13,066
Increase in trade receivables	(180)	(2,460)	(345)	(2,445)
(Increase) decrease in other receivables	(4,688)	(2,773)	(394)	28
Decrease in prepayments	51	384	14	611
Increase in trade payables	2,551	2,115	2,647	111
Increase (decrease) in other payables and accruals	1,043	(909)	2,822	(669)
Decrease (Increase) in amounts due from related parties, net	-	(2)	24	-
Cash flows from operations	1,832	11,327	14,024	12,741
Interest received	1,305	899	2,708	1,747
Interest paid, excluding amounts capitalised	(4,063)	(2,504)	(7,686)	(4,501)
Income taxes paid	(725)	(544)	(709)	(370)
Net cash (used in) from operating activities	(1,651)	9,178	8,337	9,617

UNAUDITED SECOND QUARTER AND HALF-YEAR CASH FLOW STATEMENTS (CONT'D)

	Group			
	2Q2015	2Q2014	HY2015	HY2014
	\$'000	\$'000	\$'000	\$'000
Cash flows used in investing activities				
Purchase of fixed assets	(1,727)	(30)	(33,042)	(33)
Net cash outflow on acquisition of a subsidiary	-	-	-	(46,373)
Renovation of investment property	(790)	(795)	(790)	(795)
(Repayment of loan from) loan to investee company	34	(35)	-	(5,755)
Net loan to and investment in associated companies and joint venture companies	(4,192)	(6,448)	(8,480)	(11,707)
Proceeds from liquidation of an associated company	-	-	200	-
Net cash used in investing activities	<u>(6,675)</u>	<u>(7,308)</u>	<u>(42,112)</u>	<u>(64,663)</u>
Cash flows from financing activities				
Repayment of lease obligations, net	(8)	(10)	(17)	(25)
Proceeds from (Repayment of) bank loans, net	3,868	(7,995)	19,317	(15)
Proceeds from bond issue	-	60,000	-	60,000
Loans from non-controlling interests	17,056	-	12,763	-
Dividends paid on ordinary shares of the Company	(1,611)	(3,492)	(1,611)	(3,492)
Net cash generated from financing activities	<u>19,305</u>	<u>48,503</u>	<u>30,452</u>	<u>56,468</u>
Net increase (decrease) in cash and cash equivalents	<u>10,979</u>	<u>50,373</u>	<u>(3,323)</u>	<u>1,422</u>
Cash and cash equivalents at beginning of period	<u>25,219</u>	<u>7,328</u>	<u>39,521</u>	<u>56,279</u>
Cash and cash equivalents at end of period	<u>36,198</u>	<u>57,701</u>	<u>36,198</u>	<u>57,701</u>

Note: Cash and cash equivalents

	Group			
	2Q2015	2Q2014	HY2015	HY2014
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	10,209	46,000	10,209	46,000
Cash and bank balances	27,312	11,701	27,312	11,701
Bank overdrafts	(1,323)	-	(1,323)	-
Cash and cash equivalents	<u>36,198</u>	<u>57,701</u>	<u>36,198</u>	<u>57,701</u>

- 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	Translation Reserve S\$'000	Retained Earnings S\$'000	Total S\$'000		
Balance at 1 January 2014 (restated)	58,803	(247)	244,577	303,133	(4)	303,129
Total comprehensive income for the period	-	499	6,952	7,451	(78)	7,373
Dividends	-	-	(3,492)	(3,492)	-	(3,492)
Acquisition of new subsidiary	-	-	-	-	5,221	5,221
Balance at 30 June 2014 (restated)	58,803	252	248,037	307,092	5,139	312,231
Balance at 1 January 2015 (restated)	58,803	(1,040)	249,197	306,960	19,787	326,747
Total comprehensive income for the period	-	444	2,651	3,095	65	3,160
Dividends	-	-	(1,611)	(1,611)	-	(1,611)
Return of capital contribution to non-controlling interests	-	-	-	-	(17,160)	(17,160)
Balance at 30 June 2015	58,803	(596)	250,237	308,444	2,692	311,136

Previously an amount of \$8,596,000 was classified as Shareholders' contribution, a separate component within the Group's equity. This amount is now reclassified as part of Retained Earnings.

Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
Balance at 1 January 2014	58,803	73,044	131,847
Total comprehensive income for the period	-	(3,545)	(3,545)
Dividends	-	(3,492)	(3,492)
Balance at 30 June 2014	58,803	66,007	124,810
Balance at 1 January 2015	58,803	69,338	128,141
Total comprehensive income for the period	-	771	771
Dividends	-	(1,611)	(1,611)
Balance at 30 June 2015	58,803	68,498	127,301

- 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 2015 to 30 June 2015.

There are 44,725,994 outstanding share warrants as at 30 June 2015 and 31 December 2014 which entitle the holders to subscribe for new ordinary shares at the exercise price of S\$0.70 each. These share warrants may be exercised from 3 March 2014 to 3 September 2015.

- 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 June 2015 and 31 December 2014.

The total number of issued ordinary shares (excluding treasury shares) as at 30 June 2015 and 31 December 2014 was 268,615,194.

The Company did not issue any preference shares as at 30 June 2015 and 31 December 2014.

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 June 2015.

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 2014 as well as applicable Financial Reporting Standards (FRS) which became effective for financial years beginning on or after 1 January 2015.

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					
	2Q2015 Cents	2Q2014 Cents	Decrease %	HY2015 Cents	HY2014 Cents	Decrease %
Earnings per ordinary share from continuing operations attributable to equity holders of the Company for the period						
(a) On a basic basis	0.44	1.69	(73.7)	0.99	2.59	(61.8)
(b) On a fully diluted basis	0.44	1.69	(73.7)	0.99	2.59	(61.8)

The above have been computed based on 268,615,194 ordinary shares in issue as at 30 June 2015.

**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	
	30/6/2015 Cents	31/12/2014 Cents	30/6/2015 Cents	31/12/2014 Cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	114.83	114.28	47.39	47.70

The above have been computed based on 268,615,194 ordinary shares in issue as at 30 June 2015 and 31 December 2014.

- 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

Revenue comprises rental income from investment properties as well as proceeds from the sales of the Group's residential projects.

The Group's revenue for the half year ended 30 June 2015 ("HY2015") decreased by 36.7% to \$16.11 million compared to \$25.44 million for the previous corresponding period ended 30 June 2014 ("HY2014"). This was mainly due to lower contribution from two residential projects in HY2015 of \$6.33 million as compared to HY2014 of \$20.17 million. Revenue from investment properties in HY2015 increased by \$3.95 million due to newly acquired properties, Adam House and Hotel ibis Styles London Kensington in London.

Cost of properties sold in HY2015 decreased by 71.6% over HY2014 as a result lower revenue contribution from residential projects.

Personnel expenses increased by 39.4% to \$2.64 million in HY2015 as a result of increase in headcounts following the commencement of operations of Adam House and Hotel ibis Styles London Kensington in London.

Other operating expenses decreased by 18.1% from \$5.39 million to \$4.42 million in HY2015. This was mainly due to (i) significant expenses incurred in 2Q2014 pertaining to sales and marketing expenses of \$2.18 million for residential projects, Onze@Tanjong Pagar and Earlington and expenses of \$1.0 million incurred for the \$60.0 million bond issued in HY2014; (ii) operating expenses of approximately \$1.91 million in HY2015 for newly acquired properties, Adam House and Hotel ibis Styles London Kensington.

Finance expenses increased to \$7.69 million in HY2015 from \$4.50 million in HY2014. This was mainly due higher bond interest expense as a result of the additional bond issue of \$60.00 million drawdown in June 2014 as well as loan interest for Adam House and Hotel ibis Styles London Kensington.

Finance income rose by 55.0% from \$1.75 million to \$2.71 million, mainly due to an increase in interest-bearing advances made to associated companies in HY2015 as compared to HY2014.

Share of profits from associated companies/joint venture companies increased by 265.2% to \$18.68 million in HY2015. This was mainly attributed to progressive profit recognition of the various residential projects under the Group's associated companies as well as fair value gain from Sun Plaza of approximately \$12.50 million after the completion of its refurbishment in 2Q2015.

The Group made a provision for foreseeable losses of \$16.00 million for one of its development properties in 2Q2015.

Income tax expense increased from \$396,000 to \$1.19 million in HY2015 despite a decrease in profit before tax mainly because the provision for foreseeable losses in development property of \$16.00 million is not tax deductible.

Taking into account the above factors, the Group recorded a 71.1% decline in net profit after tax to \$1.99 million for HY2015, compared to \$6.87 million recorded in HY2014.

Commentary on the Consolidated Balance Sheets

Fixed assets amounting to \$100.35 million mainly comprised the freehold hotel properties (i) land site for hotel development in Brisbane, Australia; (ii) Hotel ibis Styles London Kensington in London, United Kingdom; and (iii) the newly acquired property at Glenthorne Road, London, United Kingdom of approximately \$31.32 million in 1Q2015.

Investment properties amounting to \$173.95 million mainly comprised Tampines Mart, The Woodgrove and Adam House.

The increase in associated companies and joint venture companies was mainly due to share of results of associated companies/joint venture companies of \$18.68 million during HY2015.

The increase in amounts due from associated companies, joint venture companies and investee companies from \$175.33 million to \$185.94 million was mainly due to additional loans to associated companies and joint venture companies.

Development properties decreased from \$210.69 million to \$192.14 million in HY2015 mainly due to the provision for foreseeable losses of \$16.00 million.

Fixed deposits decreased from \$20.04 million to \$10.21 million in HY2015 mainly due to funds utilised for the acquisition of the property at Glenthorne Road, London.

Trade payables increased by \$2.65 million from \$5.944 million due to increase in amount due to contractors for development properties.

Total bank term loans and short-term bank loans increased from \$260.06 million to \$279.13 million as at 30 June 2015 mainly as a result of loan drawdown relating to Adam House.

Amounts due to non-controlling interests of \$29.92 million represents loans from non-controlling interest.

Commentary on the Cash Flow Statements

Cash and cash equivalents decreased by \$3.32 million in HY2015 because the following major cash outflows exceed cash inflows during the period:

Cash outflows:

- net cash outflow of \$33.04 million for the acquisition of fixed assets, including the property at Glenthorne Road in London;
- loans of \$8.48 million to associated companies and joint venture companies; and
- dividends paid of \$1.61 million.

Cash inflows:

- net cash generated from operating activities of \$8.34 million partly due to receipt of progress billings from Onze@Tanjong Pagar;
- proceeds from bank loans of \$19.32 million; and
- additional loans from non-controlling interest of \$12.76 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 second quarter and half year ended 30 June 2015 of the Group are in line with the statement made in paragraph 10 of the results announcement for the first quarter ended 31 March 2015.

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 -

According to URA's statistics released on 24 July 2015, the number of private residential units launched (excluding Executive Condominiums, ECs) in 2Q2015 was 2,099 units, compared to the 1,189 units launched in 1Q2015. Similarly, developers sold 2,116 private residential units (excluding ECs), higher than the 1,311 units sold in 1Q2015. However, prices of private residential properties continued to decline for the seventh consecutive quarter, with prices falling 0.9% in 2Q2015.

As such, the Group expects the Singapore property market to remain subdued in the short term. Nevertheless, the Group is cautiously optimistic of the longer term prospects of the Singapore property market. Heeton has recently launched two joint venture development projects – Westwood Residences and High Park Residences. These developments are expected to have a positive effect on the Group's financial performance beyond FY2015. Going forward, the Group will continue to adopt a cautious approach with respect property development projects, especially in the local market.

In addition to property development projects, Heeton has also focused on boosting its recurring income base. The Group's local retail mall, Sun Plaza, has completed its refurbishment program during the quarter while its serviced office building, Adam House and Hotel ibis Styles London has also commenced operations. These assets will contribute positively to the Group's recurring income base for the coming years.

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?

Yes.

Name of Dividend	Interim Ordinary Dividend
Dividend Type	Cash
Dividend Amount per Shares (in Cents)	0.50 cents per share (1-Tier tax exempt)
Tax Rate	Nil

(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 first half year ended 30 June 2015 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Toh Khai Cheng
Chairman & Non-executive Director
6 August 2015

Low Yee Khim
COO & Executive Director