



HEETON HOLDINGS LIMITED
Co. Reg. No. 197601387M

THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR NINE MONTHS ENDED 30 SEPTEMBER 2016

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 2016

	Group					
	3Q2016 S\$'000	3Q2015 S\$'000	Increase / (Decrease) %	9 Months Ended 30 September 2016 S\$'000	2015 S\$'000	Increase / (Decrease) %
Revenue	18,783	8,998	108.7	46,577	25,104	85.5
Cost of properties sold	(9,944)	(1,919)	418.2	(21,777)	(6,929)	214.3
Other operating income	132	738	(82.1)	2,096	2,289	(8.4)
Personnel expenses	(1,863)	(1,679)	11.0	(5,694)	(4,318)	31.9
Depreciation of fixed assets	(91)	(51)	78.4	(241)	(161)	49.7
Other operating expenses	(3,988)	(2,514)	58.6	(13,052)	(6,931)	88.3
Loss on disposal of subsidiaries	(12,880)	-	n.m.	(12,880)	-	n.m.
(Loss)/profit from operations	(9,851)	3,573	(375.7)	(4,971)	9,054	(154.9)
Finance expenses	(3,029)	(3,917)	(22.7)	(9,537)	(11,603)	(17.8)
Finance income	869	1,608	(46.0)	2,982	4,316	(30.9)
Share of results of associated companies/joint venture companies	306	4,515	(93.2)	11,015	23,195	(52.5)
Provision for foreseeable losses in development property	-	-	n.m.	-	(16,000)	n.m.
(Loss)/profit before tax	(11,705)	5,779	(302.5)	(511)	8,962	(105.7)
Income tax expense	451	(407)	(210.8)	(1,165)	(1,600)	(27.2)
(Loss)/profit for the period, net of tax	(11,254)	5,372	(309.5)	(1,676)	7,362	(122.8)
Other comprehensive income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation	(1,063)	188	(665.4)	(9,017)	1,358	(764.0)
Total comprehensive (expense)/income for the period	(12,317)	5,560	(321.5)	(10,693)	8,720	(222.6)
(Loss)/profit attributable to:						
Owners of the parent	(11,249)	5,177	(317.3)	(1,887)	7,828	(124.1)
Non-controlling interests	(5)	195	(102.6)	211	(466)	(145.3)
	(11,254)	5,372	(309.5)	(1,676)	7,362	(122.8)
Total comprehensive (expense)/income attributable to:						
Owners of the parent	(12,447)	5,497	(326.4)	(11,006)	9,501	(215.8)
Non-controlling interests	130	63	106.3	313	(781)	(140.1)
	(12,317)	5,560	(321.5)	(10,693)	8,720	(222.6)

n.m. : not meaningful

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	
	30/9/2016	31/12/2015	30/9/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
Non-Current Assets				
Fixed assets	113,686	105,242	107	95
Investment properties	169,461	173,980	-	-
Subsidiaries	-	-	24,583	25,583
Associated companies	75,147	64,689	-	-
Joint venture companies	68,669	64,091	5,000	5,000
Amounts due from associated companies, joint venture companies and investee companies	134,128	149,076	-	-
Other investments	218	218	-	-
Intangible assets	109	109	-	-
Notes receivable	4,000	-	4,000	-
	565,418	557,405	33,690	30,678
Current assets				
Development properties	106,090	198,765	90,411	75,695
Trade receivables	727	538	-	120
Other receivables	21,160	7,275	16,302	8
Prepayments	1,202	2,620	27	26
Amounts due from subsidiaries (non-trade)	-	-	187,997	218,035
Amounts due from related parties (trade)	15	12	-	-
Amounts due from joint venture company (non-trade)	140	606	36	536
Amounts due from joint venture company (trade)	-	341	-	-
Fixed deposits	592	6,099	443	5,934
Cash and bank balances	26,629	16,227	15,187	4,155
	156,555	232,483	310,403	304,509
Current Liabilities				
Trade payables	9,641	8,046	6,147	2,112
Other payables and accruals	7,725	4,833	4,267	1,444
Derivative financial instrument	191	23	-	-
Amounts due to subsidiaries (non-trade)	-	-	71,680	35,981
Amounts due to related parties (non-trade)	-	-	-	-
Lease obligations	26	-	-	-
Bonds	60,000	-	60,000	-
Short-term bank loans	14,000	4,000	72,745	4,000
Bank term loans	79,307	163,885	-	58,745
Bank overdrafts	9,257	-	-	-
Income tax payable	1,065	935	1,118	728
	181,212	181,722	215,957	103,010
Net current (liabilities) assets	(24,657)	50,761	94,446	201,499
Non-current liabilities				
Other payables and accruals	2,474	1,150	1,374	-
Lease obligations	78	-	-	-
Amounts due to associated companies and joint venture companies (non-trade)	38,476	38,273	15,508	15,508
Amounts due to non-controlling interests (non-trade)	26,620	25,230	-	-
Bond	-	60,000	-	60,000
Bank term loans	143,261	142,197	-	-
Deferred tax liabilities	1,680	499	1,658	545
	(212,589)	(267,349)	(18,540)	(76,053)
Net assets	328,172	340,817	109,596	156,124
Share capital and reserves				
Share capital	86,624	86,624	86,624	86,624
Translation reserve	(9,334)	(215)	-	-
Retained earnings	249,397	253,236	22,972	69,500
	326,687	339,645	109,596	156,124
Non-controlling interests	1,485	1,172	-	-
Total equity	328,172	340,817	109,596	156,124

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

Amount repayable in one year or less, or on demand

As at 30/09/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
88,590	74,000	163,885	4,000

Amount repayable after one year

As at 30/09/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
143,339	-	142,197	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 THIRD QUARTER AND NINE MONTHS CASH FLOW STATEMENTS

	Group			
	3Q2016	3Q2015	9 Months Ended 30 September	
	\$'000	\$'000	2016 \$'000	2015 \$'000
Cash flows generated from operating activities				
(Loss)/profit before tax	(11,705)	5,779	(511)	8,962
Adjustments for:				
Depreciation of fixed assets	91	51	241	161
(Gain)/loss in fair value of derivative financial instrument	(9)	-	168	-
Loss on disposal of fixed assets	-	-	(71)	874
Share of results of associated companies/joint venture companies	(306)	(4,515)	(11,015)	(23,195)
Provision for foreseeable losses on development property	-	-	-	16,000
Interest expense	3,029	3,917	9,537	11,603
Interest income	(869)	(1,608)	(2,982)	(4,316)
Loss on disposal of subsidiaries	12,880	-	12,880	-
Unrealised exchange differences	496	(93)	(441)	144
Operating cash flows before changes in working capital	3,607	3,531	7,806	10,233
Increase in development properties	(6,483)	(16,554)	(16,667)	(14,000)
Decrease (Increase) in trade receivables	647	(491)	(215)	(836)
Decrease in other receivables	803	3,916	2,295	3,522
Decrease (increase) in prepayments	998	(131)	1,400	(117)
(Decrease) increase in trade payables	(1,216)	(1,525)	3,158	1,122
Increase (decrease) in other payables and accruals	989	(710)	2,417	2,112
(Increase) decrease in amounts due to related parties, net	(3,503)	-	(3)	24
Cash flows (used in) from operations	(4,158)	(11,964)	191	2,060
Interest received	869	1,608	2,982	4,316
Interest paid, excluding amounts capitalised	(3,029)	(3,917)	(9,537)	(11,603)
Income taxes refund/(paid)	(41)	(596)	149	(1,305)
Net cash used in operating activities	(6,359)	(14,869)	(6,215)	(6,532)

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

	Group			
	3Q2016 \$'000	3Q2015 \$'000	2016 \$'000	2015 \$'000
Cash flows used in investing activities				
Purchase of fixed assets	(3,038)	(1,233)	(24,801)	(34,275)
Renovation of investment property	-	191	-	(599)
Net repayment of loan from associated companies and joint venture companies	11,611	8,649	11,421	169
Proceeds from liquidation of an associated company	-	-	-	200
Net cash from (used in) investing activities	8,573	7,607	(13,380)	(34,505)
Cash flows from financing activities				
Proceeds of lease obligations, net	(4)	(2)	104	(19)
Proceeds from bank loans, net	9,174	-	21,442	22,617
(Repayment of loan to) loan from non-controlling interests	(3,613)	897	4,413	13,660
Repayment of bank loans	(974)	(4,982)	(8,774)	(8,282)
Dividends paid on ordinary shares of the Company	-	-	(1,952)	(1,611)
Net cash from (used in) financing activities	4,583	(4,087)	15,233	26,365
Net increase (decrease) in cash and cash equivalents	6,797	(11,349)	(4,362)	(14,672)
Cash and cash equivalents at beginning of period	11,167	36,198	22,326	39,521
Cash and cash equivalents at end of period	17,964	24,849	17,964	24,849

Note: Cash and cash equivalents

	Group			
	3Q2016 \$'000	3Q2015 \$'000	9 Months Ended 30 September	
			2016 \$'000	2015 \$'000
Fixed deposits	592	7,104	592	7,104
Cash and bank balances	26,629	17,745	26,629	17,745
Bank overdrafts	(9,257)	-	(9,257)	-
Cash and cash equivalents	17,964	24,849	17,964	24,849

- 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 2015	58,803	(1,040)	249,197	306,960	19,787	326,747
Total comprehensive income for the period	-	1,673	7,828	9,501	(781)	8,720
Dividends	-	-	(1,611)	(1,611)	-	(1,611)
Return of capital contribution to non-controlling interests	-	-	-	-	(17,424)	(17,424)
Balance at 30 September 2015	58,803	633	255,414	314,850	1,582	316,432
Balance at 1 January 2016	86,624	(215)	253,236	339,645	1,172	340,817
Total comprehensive 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

Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
Balance at 1 January 2015	58,803	69,338	128,141
Total comprehensive income for the period	-	638	638
Dividends	-	(1,611)	(1,611)
Balance at 30 September 2015	58,803	68,365	127,168
Balance at 1 January 2016	86,624	69,500	156,124
Total comprehensive income for the period	-	(44,576)	(44,576)
Dividends	-	(1,952)	(1,952)
Balance at 30 September 2016	86,624	22,972	109,596

- 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 2016 to 30 September 2016.

There are no outstanding convertible securities as at 30 September 2016 and 31 December 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 September 2016 and 31 December 2015.

The total number of issued ordinary shares (excluding treasury shares) as at 30 September 2016 and 31 December 2015 was 325,156,492.

The Company did not issue any preference shares as at 30 September 2016 and 31 December 2015.

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 2016.

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 2015 as well as applicable Financial Reporting Standards (FRS) which became effective for financial years beginning on or after 1 January 2016.

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					
	3Q2016	3Q2015	Increase	9 Months Ended		Increase
	Cents	Cents	%	2016	2015	%
				Cents	Cents	
Earnings per ordinary share from continuing operations attributable to equity holders of the Company for the period						
(a) On a basic basis	-3.46	1.88	(284.3)	-0.58	2.84	(120.4)
(b) On a fully diluted basis	-3.46	1.88	(284.3)	-0.58	2.84	(120.4)

Earnings per share for 9M2016 was computed based on 325,156,492 ordinary shares in issue. Earnings per share for 9M2015 have been computed based on the adjusted weighted average of 275,814,081 ordinary shares in issue. The adjusted weighted average number of shares resulted from the rights issue on 23 October 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	
	30/9/2016	31/12/2015	30/9/2016	31/12/2015
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	100.47	104.46	33.71	48.02

The above have been computed based on 325,156,492 ordinary shares in issue as at 30 September 2016 and 31 December 2015.

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

The Group's revenue for the 9 months ended 30 September 2016 ("9M2016") increased by 85.5% to \$46.58 million compared to \$25.10 million for the previous corresponding period ended 30 September 2015 ("9M2015"). This was primarily due to the recognition of higher revenue from residential project, Onze@Tanjong Pagar in 9M2016 of \$27.51 million compared to \$8.34 million in 9M2015, and revenue of \$3.62 million from the newly acquired hotels, ibis Budget Bradford and ibis Hotel Gloucester in United Kingdom ("UK").

Cost of properties sold increased from \$6.93 million in 9M2015 to \$21.78 million in 9M2016, which is in line with the increase in revenue recognised primarily for the Onze@Tanjong Pagar.

Personnel expenses increased by 31.9% to \$5.69 million in 9M2016 as a result of increase in headcounts following the acquisition of ibis Budget Bradford and ibis Hotel Gloucester.

Other operating expenses increased by 88.3% from \$6.93 million to \$13.05 million in 9M2016. This was mainly due to the qualifying certificate extension fee of \$4.37 million incurred for iLiv@Grange in 9M2016 and operating expenses for the newly acquired hotels, ibis Budget Bradford and ibis Hotel Gloucester, of approximately \$1.65 million.

Loss on disposal of subsidiaries of \$12.88 million is resulted from the disposal of Heeton Residence Pte. Ltd. and Heeton Realty Pte. Ltd. which owned the residential project, iLiv@Grange.

Finance expenses decreased to \$9.54 million in 9M2016 from \$11.60 million in 9M2015 mainly due to lower bond interest expense of \$2.83 million as a result of repayment made for the \$75 million bond in November 2015, offsetted by interest paid to non-controlling interests of \$0.74 million in respect of some UK properties.

Finance income declined to \$2.98 million in 9M2016 from \$4.32 million in 9M2015 due to a reduction in interest bearing loans to associated companies.

Share of profits from associated companies/joint venture companies decreased by 52.5% to \$11.02 million in 9M2016 from \$23.2 million in 9M2015. This was mainly attributed to a decrease in fair value gain of approximately \$9.50 million from Sun Plaza, \$3.00 million recognised in 9M2016 compared to \$12.50 million recognised in 9M2015 after completion of its refurbishment in HY2015 and decrease in share of results of \$3.00 million from various projects.

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

Income tax expense decreased from \$1.60 million to \$1.17 million in 9M2016, consistent with the decrease in profit before tax as compared to 9M2015.

Taking into account of the above factors, the Group recorded a net loss after tax of \$1.68 million for 9M2016 compared to a net profit after tax of \$7.36 million recorded in 9M2015.

Commentary on the Consolidated Balance Sheets

Fixed assets amounting to \$113.69 million comprises primarily of the following hotel properties (i) land site for hotel development in Brisbane, Australia; (ii) Hotel ibis Styles London Kensington in London Kensington in London, UK; (iii) ibis Budget Bradford in Bradford City, UK; (iv) the newly acquired ibis Hotel Gloucester in Gloucester City, UK; and (v) hotel site which is currently under development at Glenthorne Road, London, UK.

Investment properties amounting to \$169.46 million mainly comprised Tampines Mart, The Woodgrove and Adam House.

The increase in associated companies and joint venture companies was mainly due to our share of results of associated companies/joint venture companies of \$11.02 million during 9M2016.

The Group has subscribed to notes of \$4.00 million in Heeton Residence Pte. Ltd. ("HR") which will be repayable in year 2019. HR was disposed off during 3Q2016.

Development properties decreased from \$198.77 million to \$106.09 million in 9M2016 mainly as a result of the disposal of Heeton Realty Pte Ltd which owns the property 'iLiv@Grange'.

Other receivables increased from \$7.28 million to \$21.16 million in 9M2016 mainly due to the consideration balance from disposal of HR of \$17.00 million to be received on 30 September 2017.

Other payables and accruals increased from \$5.98 million to \$10.20 million mainly due to accrued expenses for (i) hotel operations; (ii) interests for \$60.00 million bond payable in December 2016; and (iii) professional fee for disposal of HR.

Total bank term loans and short-term bank loans decreased from \$310.10 million to \$236.57 million in 9M2016 as a result of the disposal of Heeton Realty Pte. Ltd. which owns iLiv@Grange.

The amount due to non-controlling interest represents loans from non-controlling interests for various overseas projects.

Commentary on the Cash Flow Statements

Cash and cash equivalents decreased by \$4.36 million in 9M2016 because the following major cash outflows exceed cash inflows during the period:

Cash outflows:

- net cash outflow from operating activities of \$6.22 million;
- net cash outflow of \$24.80 million for acquisition of ibis Hotel Gloucester in 1Q2016 and construction costs incurred for the development of the hotel at Glenthorne Road, London, UK; and
- dividends paid of \$1.95 million.

Cash inflows:

- net proceeds from bank loans of \$12.67 million; and
- net repayment of loan from associated companies and joint venture companies of \$11.42 million mainly due to proceeds received from the residential project NEWest, following its TOP in July 2016.

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 2016 of the Group are in line with the statement made in paragraph 10 of the results announcement for the half year ended 30 June 2016.

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 -

The short-term outlook for the Singapore property market continues to be challenging. URA statistics released on 28 October 2016 indicated that Singapore private residential property prices decreased for the 12th consecutive quarter with the decline accelerating in the third quarter of 2016. Nonetheless, Heeton is cautiously optimistic about the longer term prospects of the Singapore property market and will continue to seek suitable property development projects within the country.

Internationally, the Group will remain vigilant of the global business environment and take appropriate measures as and when the needs arise. In particular, business operations in the United Kingdom have remained relatively stable, and the management is positive of the country's long term potentials.

Additionally, the Group's investment properties portfolio, especially the hospitality segment, has performed satisfactorily at this stage of our growth. Currently, the Group has a total of six operating hotels in the United Kingdom and Thailand as well as another three hotels undergoing planning or redevelopment. Going forward, Heeton will continue to explore opportunities to increase its recurring income base.

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 2016 to be false or misleading in any material respect.

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has obtained undertakings from all its directors and executive officers.

BY ORDER OF THE BOARD

Toh Giap Eng
Executive Deputy Chairman
8 November 2016

Eric Teng Heng Chew
CEO & Executive Director