



HEETON HOLDINGS LIMITED
Co. Reg. No. 197601387M

HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR SIX MONTHS ENDED 30 JUNE 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 SECOND QUARTER AND HALF-YEAR ENDED 30 JUNE 2017

	Group					
	2Q2017 S\$'000	2Q2016 S\$'000	Increase / (Decrease) %	HY2017 S\$'000	HY2016 S\$'000	Increase / (Decrease) %
Revenue	18,949	14,008	35.3	34,439	27,794	23.9
Cost of properties sold	(10,927)	(5,718)	91.1	(19,159)	(11,833)	61.9
Other operating income	741	1,324	(44.0)	1,447	1,964	(26.3)
Personnel expenses	(2,243)	(1,910)	17.4	(4,370)	(3,831)	14.1
Depreciation of fixed assets	(96)	(46)	108.7	(217)	(150)	44.7
Other operating expenses	(4,455)	(5,302)	(16.0)	(6,975)	(9,064)	(23.0)
Profit from operations	1,969	2,356	(16.4)	5,165	4,880	5.8
Finance expenses	(3,045)	(3,205)	(5.0)	(5,983)	(6,508)	(8.1)
Finance income	768	993	(22.7)	1,562	2,113	(26.1)
Share of results of associated companies/joint venture companies	4,091	4,453	(8.1)	6,203	10,709	(42.1)
Gain from fair value adjustments of investment properties	7,800	-	n.m.	7,800	-	n.m.
Profit before tax	11,583	4,597	152.0	14,747	11,194	31.7
Income tax expense	(1,037)	(854)	21.4	(1,681)	(1,616)	4.0
Profit for the period	10,546	3,743	181.8	13,066	9,578	36.4
Other comprehensive income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation	1,617	(3,960)	n.m.	710	(7,954)	n.m.
Total comprehensive income / (expense) for the period	12,163	(217)	n.m.	13,776	1,624	n.m.
Profit attributable to:						
Owners of the Company	10,560	3,560	196.6	13,121	9,362	40.2
Non-controlling interests	(14)	183	n.m.	(55)	216	n.m.
	10,546	3,743	181.8	13,066	9,578	36.4
Total comprehensive income / (expense) attributable to:						
Owners of the Company	12,212	(291)	n.m.	13,775	1,441	855.9
Non-controlling interests	(49)	74	n.m.	1	183	(99.5)
	12,163	(217)	n.m.	13,776	1,624	748.3

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	
	30/6/2017	31/12/2016	30/6/2017	31/12/2016
	\$'000	\$'000	\$'000	\$'000
Non-Current Assets				
Fixed assets	126,974	120,338	521	577
Investment properties	181,680	170,050	-	-
Subsidiaries	-	-	24,583	24,583
Associated companies	69,284	73,240	-	-
Joint venture companies	90,808	82,140	5,000	5,000
Amounts due from associated companies, joint venture companies and investee companies	123,903	125,572	-	-
Other investments	218	218	-	-
Intangible assets	109	109	-	-
Other receivables	4,000	4,000	4,000	4,000
	596,976	575,667	34,104	34,160
Current assets				
Development properties	67,797	106,790	50,796	90,907
Trade receivables	18,725	794	18,067	-
Other receivables	20,325	20,799	16,530	14,855
Prepayments	1,244	1,488	45	248
Amounts due from subsidiaries (non-trade)	-	-	191,414	178,572
Amounts due from related parties (trade)	12	14	-	-
Amounts due from joint venture company (non-trade)	938	333	64	33
Amounts due from joint venture company (trade)	-	339	-	-
Fixed deposits	4,093	654	3,583	505
Cash and bank balances	58,252	27,114	34,100	13,436
	171,386	158,325	314,599	298,556
Current Liabilities				
Trade payables	5,466	6,769	3,844	4,615
Other payables and accruals	7,944	6,896	2,775	3,037
Derivative financial instruments	105	149	-	-
Amounts due to subsidiaries (non-trade)	-	-	72,008	60,237
Finance lease obligations	76	76	50	50
Bond	-	58,750	-	58,750
Short-term bank loans	14,500	14,000	14,500	14,000
Bank term loans	75,319	120,713	-	58,745
Income tax payable	2,136	1,955	214	278
	105,546	209,308	93,391	199,712
Net current assets/(liabilities)	65,840	(50,983)	221,208	98,844
Non-current liabilities				
Other payables and accruals	991	1,043	-	-
Finance lease obligations	228	264	167	192
Amounts due to associated companies and joint venture companies (non-trade)	46,736	43,660	16,087	15,508
Amounts due to non-controlling interests (non-trade)	29,597	27,156	-	-
Bond	75,000	-	75,000	-
Bank term loans	148,999	103,846	47,000	-
Deferred tax liabilities	3,851	3,125	3,048	2,309
	(305,402)	(179,094)	(141,302)	(18,009)
Net assets	357,414	345,590	114,010	114,995
Share capital and reserves				
Share capital	86,624	86,624	86,624	86,624
Foreign currency translation reserve	(8,690)	(9,344)	-	-
Asset revaluation reserve	2,768	2,768	-	-
Retained earnings	274,934	263,765	27,386	28,371
	355,636	343,813	114,010	114,995
Non-controlling interests	1,778	1,777	-	-
Total equity	357,414	345,590	114,010	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 30/06/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
87,395	2,500	120,789	72,750

Amount repayable after one year

As at 30/06/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
149,227	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 and assets under finance lease 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			
	2Q2017 \$'000	2Q2016 \$'000	HY2017 \$'000	HY2016 \$'000
Cash flows from operating activities				
Profit before tax	11,583	4,597	14,747	11,194
Adjustments for:				
Depreciation of fixed assets	96	46	217	150
Loss in fair value of derivative financial instrument	(25)	18	(44)	177
Gain on disposal of fixed assets	-	-	-	(71)
Gain from fair value adjustments of investment properties	(7,800)	-	(7,800)	-
Share of results of associated companies/joint venture companies	(4,091)	(4,453)	(6,203)	(10,709)
Interest expense	3,045	3,205	5,983	6,508
Interest income	(768)	(993)	(1,562)	(2,113)
Unrealised exchange differences	(269)	1,472	(187)	435
Operating cash flows before changes in working capital	1,771	3,892	5,151	5,571
Decrease/(increase) in development properties	15,942	(4,789)	39,187	(10,184)
Increase in trade receivables	(5,285)	(524)	(17,922)	(862)
Decrease in other receivables	3,071	215	518	1,492
(Increase)/decrease in prepayments	(84)	(1,456)	252	402
(Decrease)/increase in trade payables	(1,139)	468	(1,324)	4,374
Increase/(decrease) in other payables and accruals	302	(86)	976	1,428
(Decrease)/increase in amounts due to related parties, net	(3)	3,500	2	3,500
Cash flows from operations	14,575	1,220	26,840	5,721
Interest received	768	993	1,562	2,113
Interest paid, excluding amounts capitalised	(3,045)	(3,205)	(5,983)	(6,508)
Income taxes (paid)/refunded	(757)	107	(788)	190
Net cash from/(used in) operating activities	11,541	(885)	21,631	1,516

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

	Group			
	2Q2017 \$'000	2Q2016 \$'000	HY2017 \$'000	HY2016 \$'000
Cash flows from investing activities				
Purchase of fixed assets	(1,686)	(6,468)	(5,561)	(21,763)
Acquisition of investment properties	(3,556)	-	(3,556)	-
Loan to investee company	(3,101)	-	(3,145)	-
Net repayment of loan from/(Net loan to) associated companies and joint venture companies	5,905	(1,078)	9,293	(190)
Net cash used in investing activities	(2,438)	(7,546)	(2,969)	(21,953)
Cash flows from financing activities				
(Repayment of)/Proceeds from finance lease obligations, net	(18)	108	(36)	108
Proceeds from bank loans	24,664	2,268	27,644	12,268
Proceeds from bond issue	75,000	-	75,000	-
Repayment of bank loans	(7,964)	(5,700)	(28,339)	(7,800)
Repayment of bond	(58,750)	-	(58,750)	-
Loans from non-controlling interests	1,128	2,414	2,195	8,026
Dividends paid on ordinary shares of the Company	(1,952)	(1,952)	(1,952)	(1,952)
Net cash from/(used in) financing activities	32,108	(2,862)	15,762	10,650
Net increase/(decrease) in cash and cash equivalents	41,211	(11,293)	34,424	(9,787)
Effect of exchange rate changes on cash and cash equivalents	387	(709)	153	(1,372)
Cash and cash equivalents at beginning of period	20,747	23,169	27,768	22,326
Cash and cash equivalents at end of period	62,345	11,167	62,345	11,167

Note: Cash and cash equivalents

	Group			
	2Q2017 \$'000	2Q2016 \$'000	HY2017 \$'000	HY2016 \$'000
Fixed deposits	4,093	3,595	4,093	3,595
Cash and bank balances	58,252	12,490	58,252	12,490
Bank overdrafts	-	(4,918)	-	(4,918)
Cash and cash equivalents	62,345	11,167	62,345	11,167

- 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 income for the period	-	(7,921)	-	9,362	1,441	183		1,624
Dividends	-	-	-	(1,952)	(1,952)	-		(1,952)
Balance at 30 June 2016	86,624	(8,136)	-	260,646	339,134	1,355		340,489
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	-	654	-	13,121	13,775	1		13,776
Dividends	-	-	-	(1,952)	(1,952)	-		(1,952)
Balance at 30 June 2017	86,624	(8,690)	2,768	274,934	355,636	1,778		357,414

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 income for the period	-	3,458	3,458
Dividends	-	(1,952)	(1,952)
Balance at 30 June 2016	86,624	71,006	157,630
Balance at 1 January 2017	86,624	28,371	114,995
Total comprehensive income for the period	-	967	967
Dividends	-	(1,952)	(1,952)
Balance at 30 June 2017	86,624	27,386	114,010

- 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 June 2017.

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

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

The Company did not issue any preference shares as at 30 June 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 June 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					
	2Q2017 Cents	2Q2016 Cents	Decrease %	HY2017 Cents	HY2016 Cents	Decrease %
Earnings per ordinary share attributable to equity holders of the Company for the period						
(a) On a basic basis	3.25	1.09	196.6	4.04	2.88	40.3
(b) On a fully diluted basis	3.25	1.09	196.6	4.04	2.88	40.3

The above have been computed based on 325,156,492 weighted average number of ordinary shares for the 6 months ended 30 June 2017 and 6 months ended 30 June 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	
	30/6/2017 Cents	31/12/2016 Cents	30/6/2017 Cents	31/12/2016 Cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	109.37	105.74	35.06	35.37

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

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

The Group's turnover for the period ended 30 June 2017 ("1H2017") increased by 23.9% to \$34.44 million compared to \$27.79 million for the previous corresponding period ended 30 June 2016 ("1H2016"). This was mainly due to the recognition of higher revenue from residential project, Onze@Tanjong Pagar in 1H2017 of \$21.80 million compared to \$14.76 million in 1H2016.

Cost of properties sold in 1H2017 is attributable to residential project, Onze@Tanjong Pagar, while cost of properties sold in 1H2016 relates to Onze@Tanjong Pagar and the Earlington.

Other operating income decreased by 26.3% to \$1.45 million in 1H2017 mainly due to \$0.65 million of dividend which was received from an investee company in 1H2016.

Personnel expenses increased by 14.1% to \$4.37 million in 1H2017 as a result of increase in headcounts following the expansion of UK operation.

Other operating expenses decreased to \$6.98 million in 1H2017 from \$9.06 million in 1H2016 as a result of the following factors: (i) there was qualifying certificate extension fee of \$2.91 million incurred in 1H2016 for residential project iLiv@Grange. This project was disposed off during third quarter 2016 ("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 \$0.32 million following the launch of Luma Concept London Hotel.

Finance expenses decreased to \$5.98 million in 1H2017 from \$6.51 million in 1H2016. 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 26.1% to \$1.56 million in 1H2017 from \$2.11 million in 1H2016 mainly due to decrease in interest-bearing loans to associated companies.

Share of profits from associated companies/joint venture companies decreased by 42.1% to \$6.20 million in 1H2017 from \$10.71 million in 1H2016. 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 36.4% increase in net profit after tax to \$13.07 million for 1H2017, compared to \$9.58 million recorded in 1H2016.

Commentary on the Consolidated Balance Sheets

Fixed assets amounting to \$126.97 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; and (v) Luma Concept Hotel London at Glenthorne Road, London, UK.

Investment properties increased from \$170.05 million to \$181.68 million in 1H2017 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.

Development properties decreased from \$106.79 million to \$67.80 million in 1H2017 due to sales of residential project, Onze@Tanjong Pagar.

Trade receivables increased by \$17.93 million from \$794,000 mainly due to accrued receivables for sales proceeds from Onze@Tanjong Pagar as it obtained TOP in mid-January 2017.

Cash and bank balances increased by \$31.14 million as a result of the net proceeds from bond issuance and redemption of \$16.25 million and cash generated from operating activities of \$21.63 million.

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 \$34.58 million in 1H2017 because the following major cash inflows exceeded cash outflows during the period:

Cash inflows:

- net cash generated from operating activities of \$21.63 million;
- net proceeds from bond issuance and redemption of \$16.25 million; and
- net repayment of loan from associated companies and joint venture companies of \$9.29 million.

Cash outflows:

- net cash outflow of \$5.56 million for purchase of fixed assets comprising mainly construction costs incurred for the development of Luma Concept Hotel London at Glenthorne Road, London, UK; and
- fund outflow of \$3.56 million for acquisition of investment properties at Parr Street, London, UK.

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 2017 of the Group are in line with the statement made in paragraph 10 of the results announcement for the first quarter ended 31 March 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 -

The Singapore residential property market is showing signs of improvement after a prolonged period of weak sentiments. In recent months, there was a significant uptake in the volume of sales in both primary and secondary market. In the same period, there was an increased interest in Government Land Sales and collective sales with more bidders from both local and foreign developers.

In July 2017, the Group completed its disposal of 50% shareholding interests in Buildhome Pte. Ltd., which owns the property development - "The Lumos". This will have a positive impact on the Group's financial results in FY2017. Additionally, Heeton also participated in two local property development projects via joint venture.

For its hospitality segment, Heeton is pleased to share that the Group's first LUMA Concept Hotel had commenced operations in the United Kingdom in April this year.

Currently, the Group has a total of eight operating hotels in United Kingdom, Japan and Thailand. Five of these hotels are managed by Heeton's hospitality division. Additionally, there are two more hotel developments in the pipeline. Going forward, the Group will continue to explore more 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

No.

(d) Books closure date

No.

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 2017 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
7 August 2017

Teng Heng Chew Eric
CEO & Executive Director