



HEETON HOLDINGS LIMITED
Co. Reg. No. 197601387M

HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR SIX MONTHS ENDED 30 JUNE 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 SECOND QUARTER AND HALF-YEAR ENDED 30 JUNE 2016

	Group					
	2Q2016 S\$'000	2Q2015 S\$'000	Increase / (Decrease) %	HY2016 S\$'000	HY2015 S\$'000	Increase / (Decrease) %
Revenue	14,008	9,103	53.9	27,794	16,106	72.6
Cost of properties sold	(5,718)	(3,017)	89.5	(11,833)	(5,010)	136.2
Other operating income	1,324	777	70.4	1,964	1,551	26.6
Personnel expenses	(1,910)	(1,356)	40.9	(3,831)	(2,639)	45.2
Depreciation of fixed assets	(46)	(53)	(13.2)	(150)	(110)	36.4
Other operating expenses	(5,302)	(1,425)	272.1	(9,064)	(4,417)	105.2
Profit from operations	2,356	4,029	(41.5)	4,880	5,481	(11.0)
Finance expenses	(3,205)	(4,063)	(21.1)	(6,508)	(7,686)	(15.3)
Finance income	993	1,305	(23.9)	2,113	2,708	(22.0)
Share of results of associated companies/joint venture companies	4,453	16,100	(72.3)	10,709	18,680	(42.7)
Provision for foreseeable losses in development property	-	(16,000)	n.m.	-	(16,000)	n.m.
Profit before tax	4,597	1,371	235.3	11,194	3,183	251.7
Income tax expense	(854)	(604)	41.4	(1,616)	(1,193)	35.5
Profit for the period, net of tax	3,743	767	388.0	9,578	1,990	381.3
Other comprehensive income						
<u>Items that may be reclassified subsequently to profit or loss:</u>						
Foreign currency translation	(3,960)	811	(588.3)	(7,954)	1,170	(779.8)
Total comprehensive (expense) / income for the period	(217)	1,578	(113.8)	1,624	3,160	(48.6)
Profit attributable to:						
Owners of the parent	3,560	1,191	198.9	9,362	2,651	253.1
Non-controlling interests	183	(424)	100.0	216	(661)	100.0
	3,743	767	388.0	9,578	1,990	381.3
Total comprehensive (expense) / income attributable to:						
Owners of the parent	(291)	2,185	(113.3)	1,441	4,004	(64.0)
Non-controlling interests	74	(607)	100.0	183	(844)	100.0
	(217)	1,578	(113.8)	1,624	3,160	(48.6)

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	
	30/6/2016	31/12/2015	30/6/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
Non-Current Assets				
Fixed assets	112,949	105,242	98	95
Investment properties	170,110	173,980	-	-
Subsidiaries	-	-	25,583	25,583
Associated companies	74,801	64,689	-	-
Joint venture companies	64,909	64,091	5,000	5,000
Amounts due from associated companies, joint venture companies and investee companies	150,410	149,076	-	-
Other investments	218	218	-	-
Intangible assets	109	109	-	-
	573,506	557,405	30,681	30,678
Current assets				
Development properties	206,875	198,765	84,824	75,695
Trade receivables	1,400	538	380	120
Other receivables	5,783	7,275	19	8
Prepayments	2,218	2,620	29	26
Amounts due from subsidiaries (non-trade)	-	-	250,925	218,035
Amounts due from related parties (trade)	12	12	-	-
Amounts due from joint venture company (non-trade)	109	606	34	536
Amounts due from joint venture company (trade)	-	341	-	-
Fixed deposits	3,595	6,099	3,443	5,934
Cash and bank balances	12,490	16,227	894	4,155
	232,482	232,483	340,548	304,509
Current Liabilities				
Trade payables	12,420	8,046	5,721	2,112
Other payables and accruals	6,426	4,833	1,047	1,444
Amounts due to subsidiaries (non-trade)	-	-	52,826	35,981
Amounts due to related parties (non-trade)	3,500	-	3,500	-
Lease obligations	26	-	-	-
Bond	60,000	-	60,000	-
Short-term bank loans	14,000	4,000	14,000	4,000
Bank term loans	156,166	163,885	58,745	58,745
Bank overdrafts	4,918	-	-	-
Income tax payable	2,018	935	1,055	728
Derivatives	200	23	-	-
	259,674	181,722	196,894	103,010
Net current (liabilities) assets	(27,192)	50,761	143,654	201,499
Non-current liabilities				
Other payables and accruals	986	1,150	-	-
Lease obligations	82	-	-	-
Amounts due to associated companies and joint venture companies (non-trade)	38,801	38,273	15,507	15,508
Amounts due to non-controlling interests (non-trade)	30,667	25,230	-	-
Bond	-	60,000	-	60,000
Bank term loans	134,070	142,197	-	-
Deferred tax liabilities	1,219	499	1,198	545
	(205,825)	(267,349)	(16,705)	(76,053)
Net assets	340,489	340,817	157,630	156,124
Share capital and reserves				
Share capital	86,624	86,624	86,624	86,624
Translation reserve	(8,136)	(215)	-	-
Retained earnings	260,646	253,236	71,006	69,500
	339,134	339,645	157,630	156,124
Non-controlling interests	1,355	1,172	-	-
Total equity	340,489	340,817	157,630	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 30/06/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
161,110	74,000	163,885	4,000

Amount repayable after one year

As at 30/06/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
134,152	-	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 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			
	2Q2016 \$'000	2Q2015 \$'000	HY2016 \$'000	HY2015 \$'000
Cash flows generated from operating activities				
Profit before tax	4,597	1,371	11,194	3,183
Adjustments for:				
Depreciation of fixed assets	46	53	150	110
Loss in fair value of derivative financial instrument	18	-	177	-
(Gain) loss on disposal of fixed assets	-	-	(71)	874
Share of results of associated companies/joint venture companies	(4,453)	(16,100)	(10,709)	(18,680)
Provision for foreseeable losses on development property	-	16,000	-	16,000
Interest expense	3,205	4,063	6,508	7,686
Interest income	(993)	(1,305)	(2,113)	(2,708)
Unrealised exchange differences	763	330	(937)	237
	<u>3,183</u>	<u>4,412</u>	<u>4,199</u>	<u>6,702</u>
Operating cash flows before changes in working capital				
(Increase) decrease in development properties	(4,789)	(1,357)	(10,184)	2,554
Increase in trade receivables	(524)	(180)	(862)	(345)
Decrease (increase) in other receivables	215	(4,688)	1,492	(394)
(Increase) decrease in prepayments	(1,456)	51	402	14
Increase in trade payables	468	2,551	4,374	2,647
(Decrease) increase in other payables and accruals	(86)	1,043	1,428	2,822
Increase in amounts due to related parties, net	3,500	-	3,500	24
	<u>511</u>	<u>1,832</u>	<u>4,349</u>	<u>14,024</u>
Cash flows from operations				
Interest received	993	1,305	2,113	2,708
Interest paid, excluding amounts capitalised	(3,205)	(4,063)	(6,508)	(7,686)
Income taxes refund/(paid)	107	(725)	190	(709)
	<u>(1,594)</u>	<u>(1,651)</u>	<u>144</u>	<u>8,337</u>
Net cash (used in) from operating activities				

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

	Group			
	2Q2016	2Q2015	HY2016	HY2015
	\$'000	\$'000	\$'000	\$'000
Cash flows used in investing activities				
Purchase of fixed assets	(6,468)	(1,727)	(21,763)	(33,042)
Renovation of investment property	-	(790)	-	(790)
Loan to investee company	-	34	-	-
Net loan to and investment in associated companies and joint venture companies	(1,078)	(4,192)	(190)	(8,480)
Proceeds from liquidation of an associated company	-	-	-	200
Net cash used in investing activities	(7,546)	(6,675)	(21,953)	(42,112)
Cash flows from financing activities				
Proceeds from (Repayment of) lease obligations, net	108	(8)	108	(17)
Proceeds from bank loans	2,268	5,668	12,268	22,617
Repayment of bank loans	(5,700)	(1,800)	(7,800)	(3,300)
Loans from non-controlling interests	2,414	17,056	8,026	12,763
Dividends paid on ordinary shares of the Company	(1,952)	(1,611)	(1,952)	(1,611)
Net cash (used in) generated from financing activities	(2,862)	19,305	10,650	30,452
Net (decrease) increase in cash and cash equivalents	(12,002)	10,979	(11,159)	(3,323)
Cash and cash equivalents at beginning of period	23,169	25,219	22,326	39,521
Cash and cash equivalents at end of period	11,167	36,198	11,167	36,198

Note: Cash and cash equivalents

	Group			
	2Q2016	2Q2015	HY2016	HY2015
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	3,595	10,209	3,595	10,209
Cash and bank balances	12,490	27,312	12,490	27,312
Bank overdrafts	(4,918)	(1,323)	(4,918)	(1,323)
Cash and cash equivalents	11,167	36,198	11,167	36,198

- 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	-	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
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
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	-	771	771			
Dividends	-	(1,611)	(1,611)			
Balance at 30 June 2015	58,803	68,498	127,301			
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			

- 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 June 2016.

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

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

The Company did not issue any preference shares as at 30 June 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 June 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					
	2Q2016	2Q2015	Decrease	HY2016	HY2015	Decrease
	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	1.09	0.43	153.5	2.88	0.96	200.0
(b) On a fully diluted basis	1.09	0.43	153.5	2.88	0.96	200.0

Earnings per share for HY2016 was computed based on 325,156,492 ordinary shares in issue. Earnings per share for HY2015 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	
	30/6/2016	31/12/2015	30/6/2016	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	104.72	104.82	48.48	48.02

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

- 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 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 half year ended 30 June 2016 ("HY2016") increased by 72.6% to S\$27.79 million compared to \$16.11 million for the previous corresponding period ended 30 June 2015 ("HY2015"). This was mainly due to the recognition of higher revenue from residential project, Onze@Tanjong Pagar in HY2016 of \$14.76 million compared to \$5.39 million in HY2015, and revenue of \$2.44 million from the newly acquired hotels, ibis Budget Bradford and ibis Hotel Gloucester in United Kingdom ("UK").

Cost of properties sold increases from \$5.01 million in HY2015 to \$11.83 million in HY2016, which is in line with the increase in revenue recognised.

Other operating income increased by 26.6% to \$1.96 million mainly due to \$0.65 million dividend received from an investee company.

Personnel expenses increased by 45.2% to \$3.83 million in HY2016 mainly as a result of increase in headcounts following the acquisition of ibis Budget Bradford and ibis Hotel Gloucester.

Other operating expenses increased to \$9.06 million in HY2016 from \$4.42 million in HY2015. This was mainly due to (i) the qualifying certificate extension fee of \$2.91 million incurred for iLiv@Grange in HY2016; (ii) operating expenses for the newly acquired hotels, ibis Budget Bradford and ibis Hotel Gloucester, of approximately \$1.01 million; and (iii) unrealised exchange losses of approximately \$0.80 million on GBP advances for a UK project during HY2016 to an associated company.

Finance expenses decreased to S\$6.51 million in HY2016 from \$7.69 million in HY2015. This was primarily due to lower bond interest expense as a result of repayment made for the \$75 million bond in November 2015 of \$2.10 million offsetted by interest paid to non-controlling interests of \$0.51 million during HY2016 in respect of some UK properties.

Finance income decreased by 22.0% to \$2.11 million as a result of a decrease in interest bearing loans to associated companies.

Share of profits from associated companies/joint venture companies decreased to \$10.71 million in HY2016 from \$18.68 million in HY2015. This was mainly attributed to (i) decrease in fair value gain of approximately \$9.50 million from Sun Plaza, \$3.00 million recognised in 2Q2016 versus \$12.50 million recognised in 2Q2015 after the completion of its refurbishment in 2Q2015 and offsetted by (ii) increase in progressive profit recognition of \$3.39 million for two residential projects, NEWest and King Albert Park.

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 \$1.19 million to \$1.62 million in HY2016, as a result of higher taxable profits.

Taking into account the above factors, the Group recorded a 381.3% increase in net profit after tax to \$9.58 million for HY2016, compared to \$1.99 million recorded in HY2015.

Foreign currency translation loss of \$7.95 million for HY2016 arose mainly from the translation of net assets of the Group's foreign subsidiaries and loans to subsidiaries which are denominated in AUD and GBP.

Commentary on the Consolidated Balance Sheets

Fixed assets amounting to \$112.95 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) the newly acquired ibis Hotel Gloucester in Gloucester City, UK; and (v) hotel site currently under development at Glenthorne Road, London, UK.

The increase in associated companies and joint venture companies was mainly due to share of results of associated companies/joint venture companies of \$10.71 million during HY2016.

Development properties increased from \$198.77 million to \$206.88 million in HY2016 as a result of progress in construction of Onze@Tanjong Pagar.

Other receivables decreased from \$7.28 million to \$5.78 million and was mainly due to deposits placed to acquire ibis Hotel Gloucester as at 31 December 2015 being utilised upon the completion of the acquisition in 1Q2016.

Trade payables increased by \$4.37 million from \$8.05 million due to increase in account payables for development properties and hotel operations.

Other payables and accruals increased from \$5.98 million to \$7.41 million mainly due to expenses accrued for hotel operations.

Amounts due to non-controlling interests of \$30.67 million represents loans from non-controlling interests for various overseas projects.

Commentary on the Cash Flow Statements

Cash and cash equivalents decreased by \$11.16 million in HY2016 because the following major outflows exceed cash inflows during the period:

Cash outflows:

- net cash outflow of \$21.76 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 \$4.47 million; and
- additional loans from non-controlling interest of \$8.03 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 2016 of the Group are in line with the statement made in paragraph 10 of the results announcement for the first quarter ended 31 March 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 Group remains cautious about the short-term outlook of the Singapore property market as it continues to be affected by the various cooling measures implemented by the government. In the latest statistics released by URA on 22 July 2016, the prices of private residential properties declined for ten consecutive quarters. In 2Q2016, prices decreased by 0.4%, compared to the 0.7% reduction in 1Q2016.

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 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 and has continued to grow. Heeton and its JV partners, had recently obtained approval for its hotel property development in Leeds, United Kingdom. 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 re-development. 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 first half year ended 30 June 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
10 August 2016

Teng Heng Chew
CEO & Executive Director