



HEETON HOLDINGS LIMITED
Co. Reg. No. 197601387M

HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR SIX MONTHS ENDED 30 JUNE 2020

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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 HALF-YEAR ENDED 30 JUNE 2020

	Group		
	HY2020 S\$'000	HY2019 S\$'000	Increase / (Decrease) %
Revenue	12,663	29,154	(56.6)
Cost of properties sold	-	(3,335)	(100.0)
Other operating income	1,115	1,257	(11.3)
Personnel expenses	(5,867)	(7,422)	(21.0)
Depreciation of property, plant and equipment	(2,858)	(2,099)	36.2
Other operating expenses	(6,442)	(10,188)	(36.8)
(Loss)/profit from operations	(1,389)	7,367	n.m.
Finance expenses	(9,730)	(10,053)	(3.2)
Finance income	2,720	3,486	(22.0)
Fair value loss on derivative financial instruments	(2,169)	-	n.m.
Share of results of associated companies/joint venture companies	2,234	4,469	(50.0)
(Loss)/gain from fair value adjustments of investment properties	(594)	4,974	n.m.
(Loss)/profit before tax	(8,928)	10,243	n.m.
Income tax expense	(3)	(1,339)	(99.8)
(Loss)/profit for the period, net of tax	(8,931)	8,904	n.m.
Other comprehensive (expense)/income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	(4,361)	1,413	n.m.
Other comprehensive (expense)/income for the period, net of tax	(4,361)	1,413	n.m.
Total comprehensive (expense)/income for the period	(13,292)	10,317	n.m.
(Loss)/profit for the period attributable to:			
Owners of the Company	(8,063)	9,751	n.m.
Non-controlling interests	(868)	(847)	2.5
	(8,931)	8,904	n.m.
Total comprehensive (expense)/income attributable to:			
Owners of the Company	(12,490)	9,981	n.m.
Non-controlling interests	(802)	336	n.m.
	(13,292)	10,317	n.m.

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	
	30/6/2020 \$'000	31/12/2019 \$'000	30/6/2020 \$'000	31/12/2019 \$'000
Non-current assets				
Property, plant and equipment	387,925	395,482	355	405
Investment properties	170,321	171,976	-	-
Subsidiaries	-	-	24,082	24,082
Associated companies	19,239	21,256	-	-
Joint venture companies	96,768	111,695	5,000	5,000
Amounts due from associated companies and joint venture companies (non trade)	158,928	147,289	-	-
Intangible assets	109	109	-	-
Other receivables	18,000	18,000	18,000	18,000
	851,290	865,807	47,437	47,487
Current assets				
Development properties	34,175	34,806	7,958	7,986
Trade receivables	1,045	1,698	-	31
Other receivables	47,510	44,121	13,484	10,827
Prepayments	2,508	2,936	473	768
Amounts due from subsidiaries (non-trade)	-	-	330,284	314,263
Amounts due from related parties (trade)	7	17	-	-
Amounts due from associated companies and joint venture companies (non-trade)	1,610	799	84	79
Fixed deposits	6,301	52,995	6,149	52,839
Cash and bank balances	52,268	63,924	23,587	28,813
	145,424	201,296	382,019	415,606
Current liabilities				
Trade payables	2,492	1,899	1,603	1,576
Other payables and accruals	12,901	18,021	4,550	4,869
Amounts due to subsidiaries (non-trade)	-	-	144,424	135,980
Lease liabilities	433	313	-	-
Bonds	-	75,000	-	75,000
Bank term loans	34,850	19,547	14,000	-
Finance lease obligations	50	76	50	50
Income tax payable	4,590	4,252	373	461
	55,316	119,108	165,000	217,936
Net current assets	90,108	82,188	217,019	197,670
Non-current liabilities				
Other payables and accruals	1,143	698	-	-
Derivative financial instruments	2,169	146	2,169	146
Finance lease obligations	17	48	17	42
Lease liabilities	5,747	5,968	-	-
Amounts due to associated companies and joint venture companies (non-trade)	29,643	30,121	17,244	17,058
Amounts due to non-controlling interests (non-trade)	65,249	62,910	-	-
Bonds	117,750	117,750	117,750	117,750
Bank term loans	294,180	290,612	5,000	-
Deferred tax liabilities	633	1,583	13	9
	(516,531)	(509,836)	(142,193)	(135,005)
Net assets	424,867	438,159	122,263	110,152
Share capital and reserves				
Share capital	86,624	86,624	86,624	86,624
Foreign currency translation reserve	(4,101)	326	-	-
Retained earnings	339,724	347,787	35,639	23,528
	422,247	434,737	122,263	110,152
Non-controlling interests	2,620	3,422	-	-
Total equity	424,867	438,159	122,263	110,152

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

Amount repayable in one year or less, or on demand

As at 30/06/2020		As at 31/12/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
34,900	-	19,623	75,000

Amount repayable after one year

As at 30/06/2020		As at 31/12/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
294,197	117,750	290,660	117,750

Details of any collateral

All secured borrowings of the Group are secured by first legal mortgages and assignment of rental and sales proceeds of property, plant and equipment, 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 HALF-YEAR CASH FLOW STATEMENTS

	Group	
	HY2020 \$'000	HY2019 \$'000
Cash flows from operating activities		
(Loss)/profit before tax	(8,928)	10,243
Adjustments:		
Depreciation of property, plant and equipment	2,858	2,099
Gain on disposal of property, plant and equipment	(50)	-
Fair value loss of derivative financial instruments	2,169	-
Share of results of associated companies/joint venture companies	(2,234)	(4,469)
Loss/(gain) from fair value adjustments of investment properties	594	(4,974)
Finance expense	9,730	10,053
Finance income	(2,720)	(3,486)
Unrealised exchange differences	(377)	1,950
Operating cash flows before changes in working capital	1,042	11,416
Decrease in development properties	213	4,087
Decrease in trade receivables	630	33
(Increase)/decrease in other receivables	(3,488)	16,651
Decrease in prepayments	365	478
Decrease in amounts due from related parties	8	-
Increase/(decrease) in trade payables	616	(8)
(Decrease)/increase in other payables and accruals	(4,631)	1,671
Cash flows (used in)/from operations	(5,245)	34,328
Interest received	2,720	3,486
Interest paid, excluding amounts capitalised	(9,730)	(10,053)
Income taxes paid	(100)	(1,248)
Net cash flows (used in)/generated from operating activities	(12,355)	26,513

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

	Group	
	HY2020 \$'000	HY2019 \$'000
Cash flows from investing activities		
Additions to property, plant and equipment	(4,150)	(158,804)
Dividend income from associated companies and joint ventures companies	16,630	-
(Net loan to)/net repayment of loan from associated companies and joint venture companies	(10,241)	7,421
Proceeds from sales of property, plant and equipment	83	-
Net cash flows generated from/(used in) investing activities	2,322	(151,383)
Cash flows from financing activities		
Repayment of finance lease obligations	(56)	(36)
Proceeds from bank loans	25,862	109,050
Repayment of bank loans	(1,744)	(1,695)
Repayment of bonds	(75,000)	-
Increase in loan from non-controlling interests	3,697	16,599
Dividends paid on ordinary shares of the Company	-	(1,952)
Net cash flows (used in)/generated from financing activities	(47,241)	121,966
Net decrease in cash and cash equivalents	(57,274)	(2,904)
Effect of exchange rate changes on cash and cash equivalents	(1,076)	(403)
Cash and cash equivalents at beginning of period	116,919	74,959
Cash and cash equivalents at end of period	58,569	71,652

Note: Cash and cash equivalents

	Group	
	HY2020 \$'000	HY2019 \$'000
Fixed deposits	6,301	18,785
Cash and bank balances	52,268	52,867
Cash and cash equivalents	58,569	71,652

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	Retained Earnings S\$'000	Total S\$'000			
		Translation Reserve S\$'000					
Balance at 1 January 2019	86,624	(3,992)	336,555	419,187		1,696	420,883
Profit for the period	-	-	9,751	9,751		(847)	8,904
Other comprehensive income							
- Foreign currency translation	-	230	-	230		1,183	1,413
Total comprehensive income for the period	-	230	9,751	9,981		336	10,317
Dividends	-	-	(1,951)	(1,951)		-	(1,951)
Balance at 30 June 2019	86,624	(3,762)	344,355	427,217		2,032	429,249
Balance at 1 January 2020	86,624	326	347,787	434,737		3,422	438,159
Loss for the period	-	-	(8,063)	(8,063)		(868)	(8,931)
Other comprehensive income							
- Foreign currency translation	-	(4,427)	-	(4,427)		66	(4,361)
Total comprehensive income for the period	-	(4,427)	(8,063)	(12,490)		(802)	(13,292)
Dividends	-	-	-	-		-	-
Balance at 30 June 2020	86,624	(4,101)	339,724	422,247		2,620	424,867
Company	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000				
Balance at 1 January 2019	86,624	14,351	100,975				
Total comprehensive expense for the period	-	(280)	(280)				
Dividends	-	(1,952)	(1,952)				
Balance at 30 June 2019	86,624	12,119	98,743				
Balance at 1 January 2020	86,624	23,528	110,152				
Total comprehensive income for the period	-	12,111	12,111				
Dividends	-	-	-				
Balance at 30 June 2020	86,624	35,639	122,263				

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 2020 to 30 June 2020.

There are no outstanding convertible securities as at 30 June 2020 and 31 December 2019.

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 2020 and 31 December 2019.

The total number of issued ordinary shares (excluding treasury shares) as at 30 June 2020 and 31 December 2019 was 487,734,735.

The Company did not issue any preference shares as at 30 June 2020 and 31 December 2019.

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 2020.

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 accounting policies have been consistently applied by the Company and the Group, and are consistent with those used in the previous financial year except for the adoption of SFRS(I) that are mandatory for financial years beginning on or after 1 January 2020.

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		
	HY2020 Cents	HY2019 Cents	Decrease %
Earnings per ordinary share attributable to equity holders of the Company for the period			
(a) On a basic basis	-1.65	2.00	n.m.
(b) On a fully diluted basis	-1.65	2.00	n.m.

The above have been computed based on 487,734,735 ordinary shares for the 6 months ended 30 June 2020 and 6 months ended 30 June 2019.

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	
	30/6/2020 Cents	31/12/2019 Cents	30/6/2020 Cents	31/12/2019 Cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	86.57	89.13	25.07	22.58

The above have been computed based on 487,734,735 ordinary shares in issue as at 30 June 2020 and 31 December 2019.

8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Commentary on the Consolidated Income Statements

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

The Group's turnover for the 6 months period ended 30 June 2020 ("1H2020") decreased by 56.6% to \$12.66 million compared to \$29.15 million for the previous corresponding period ended 30 June 2019 ("1H2019"). The decrease is attributed to following significant items:

- (i) decrease in hotel operation income by \$9.23 million due to the continuing spread of COVID-19 around the world. As a result of movement and travel restrictions, our hotels have experienced decreases in room occupancies and corresponding revenue across locations worldwide which the Group operates in;
- (ii) decrease in sale revenue of \$5.67 from residential project, Onze@Tanjong Pagar as there was no sales recorded in 1H2020; and
- (iii) decrease in rental revenue of \$1.70 million mainly due to rental rebates given to tenants due to COVID-19.

Cost of properties sold in 1H2019 relates to residential project, Onze@Tanjong Pagar.

Personnel expenses decreased by \$1.56 million to \$5.87 million in 1H2020 mainly due to the job support grants received from governments and other cost rationalisation measures undertaken by the Group during COVID-19.

Depreciation of fixed assets increased by \$0.76 million to \$2.86 million in 1H2020 mainly due to acquisition of Crowne Plaza London Kensington in April 2019 and the completion of Hampton by Hilton in Leeds, UK in December 2019.

Other operating expenses decreased to \$6.44 million in 1H2020 from \$10.19 million in 1H2019 mainly due to decrease in operating expenses as a result of closures of our Group's hotels during the lockdown period as well as cost rationalisation exercise.

Finance expenses comprised mainly interest on the \$117.75 million bond and \$329.03 million bank loans outstanding. It decreased by \$0.32 million to \$9.73 million mainly due to the settlement of the \$75 million bond in May 2020 offsetted by an increase following the drawdown of a new loan facility for a hotel in the UK in August 2019.

Finance income decreased by \$0.77 million to \$2.72 million in 1H2020 due to decrease in interest bearing loans made to associated companies and joint venture companies.

Fair value loss on derivative financial instruments amounting to \$2.17 million arose from the interest rate swaps in Pound Sterling and Singapore Dollars and due to decrease in interest rates. The fair values of interest rate swaps are determined by marked-to-market values provided by counterparties.

Share of results from associated companies/joint venture companies decreased by 50.0% to \$2.23 million in 1H2020 from \$4.47 million in 1H2019. The decrease was mainly due to the following relating to associated companies/joint venture companies:

- i) Decrease in rental and corresponding profits;
- ii) Lower profits recognised for development projects as a result of the delay in construction work due to COVID-19; and
- iii) Fair value loss adjustments of investment properties as well as impairment of development properties.

The Group recorded a \$0.59 million fair value loss in 1H2020 from its investment properties.

Income tax expense decreased by \$1.34 million in 1H2020 mainly due to loss before tax for 1H2020.

Taking into account all the above factors, the Group recorded a net loss after tax of \$8.93 million for 1H2020, compared to a net profit after tax of \$8.90 million recorded in 1H2019.

Commentary on the Consolidated Balance Sheets

Fixed assets amounting to \$387.93 million comprised mainly hotel properties. The decrease of \$7.56 million in 1H2020 was mainly due to depreciation charges recognised and exchange differences.

Investment in associated and joint venture companies decreased to \$116.01 million in 1H2020 from \$132.95 million mainly due to dividends received from associated companies and joint venture companies, offset by the share of the results of associated companies and joint venture companies during 1H2020.

Amounts due from associated companies and joint venture companies increased to \$160.54 million in 1H2020 from \$149.09 million mainly due to disbursement of loans to associated companies and joint venture companies.

Fixed deposits, cash and bank balances totalled \$58.57 million in 1H2020 compared to \$116.92 million in FY2019. The decrease is mainly due to funds used for the repayment of the \$75 million bond in May 2020, offset by additional bank borrowings.

Other payables and accruals decreased by \$4.68 million to \$14.04 million mainly due to the higher accrual for hotel development costs of Hampton by Hilton in Leeds, UK in FY2019.

The bond outstanding at the end of 1H2020 is due July 2021.

Total bank term loans and short-term bank loans increased from \$310.16 million in FY2019 to \$329.03 million in 1H2020 mainly as a result of additional loans.

Foreign currency translation reserve was decreased from a credit balance of \$0.33 million to a debit balance of \$4.10 million mainly as a result of the weakening of Pound Sterling during 1H2020.

Commentary on the Cash Flow Statements

The decrease in cash and cash equivalents of \$57.27 million in 1H2020 can be attributed to the following major cash inflows and outflows during 1H2020:

Cash inflows:

- dividend income from associated companies and joint venture companies of \$16.63 million; and
- net proceeds from bank loan of \$24.12 million.

Cash outflows:

- net cash flows used in operating activities of \$12.35 million;
- net repayment of loans from associated and joint venture companies of \$10.24 million; and
- settlement of the \$75 million bond that was due in May 2020.

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

Not applicable.

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 private residential market remains fairly resilient, as evident from the gentle decline in the private home price index despite the severe setback due to COVID-19 measures. According to data from the Urban Redevelopment Authority (URA), private home prices fell 0.3% in 2Q2020, an improvement from the 1% decrease in the previous quarter.

Developers also sold fewer units, with 1,713 private residential units transacted in 2Q2020, compared with the 2,149 units sold in the previous quarter. The decline in prices and transaction volume were mainly on the back of the circuit breaker measures and the current economic recession.

The first half of 2020 has been turbulent and disruptive for the global hospitality sector as a result of international travel restrictions as well as social distancing measures put in place by authorities to reduce interpersonal contact to curb the spread of Covid-19.

Looking ahead, the Group continues to see sustained weakness in its hospitality business, given its reliance on the resumption of tourism and business travel. We will continue to monitor the situation in every country where we operate, and actively review mitigating measures in response to these challenges. The Group will also continue to adopt cost containment measures to preserve capital and safeguard our long-term viability.

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 and the reason(s) for the decision

No dividend has been declared by the Board of the Company in respect of 1H2020 (1H2019 - Nil). It is not the Company's practise to pay dividend in the first half of the financial year.

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 2020 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 2020

Hoh Chin Yiep
COO & Executive Director