



HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

Second Quarter Financial Statements

1(a)(i) Income Statement

	GROUP \$'000	
	Quarter ended Jun 30, 2016	Quarter ended Jun 30, 2015
Revenue	129,680	163,805
Cost of sales	(104,261)	(123,209)
Gross profit	25,419	40,596
Other operating income	2,756	2,808
Administrative expenses	(15,892)	(16,283)
Other operating expenses	(636)	(924)
Finance costs	(7,746)	(8,878)
Share of results of associates and jointly controlled entities	11,033	966
Profit before income tax	14,934	18,285
Income tax expense	(3,211)	(5,653)
Profit after income tax	11,723	12,632
Attributable to:		
Shareholders of the Company	13,221	12,187
Non-controlling interests	(1,498)	445
	11,723	12,632

1(a)(ii) Notes to the income statement:

	GROUP \$'000	
	Quarter ended Jun 30, 2016	Quarter ended Jun 30, 2015
Investment income*	1,149	793
Other income including interest income*	1,566	1,800
Depreciation and amortisation	(13,151)	(12,140)
Bad debts written off*	-	(229)
Fair value loss in held-for-trading investments*	(89)	-
Foreign exchange loss*	(54)	(118)
Adjustment for under provision of tax in respect of prior years	(1,136)	(1,465)
Gain on disposal of property, plant and equipment*	-	153

Note:

* Included in other operating income (expenses)

1(a)(iii) Statement of Comprehensive Income

	GROUP \$'000	
	Quarter ended Jun 30, 2016	Quarter ended Jun 30, 2015
Profit after income tax	11,723	12,632
Other comprehensive income (loss) (net of tax):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	17,838	(28,875)
Decrease in other reserves	(441)	(282)
Share of other comprehensive (loss) income of associates and jointly controlled entities	(18,125)	2,851
	(728)	(26,306)
Other comprehensive loss for the period, net of tax	(728)	(26,306)
Total comprehensive income (loss)	10,995	(13,674)
Attributable to:		
Shareholders of the Company	12,378	(12,695)
Non-controlling interests	(1,383)	(979)
	10,995	(13,674)

1(b)(i) Statements of Financial Position

	GROUP \$'000		COMPANY \$'000	
	Jun 30, 2016	Dec 31, 2015	Jun 30, 2016	Dec 31, 2015
ASSETS				
Current assets:				
Cash and bank balances	72,041	158,827	8,417	84,453
Held-for-trading investments ⁽¹⁾	7,204	-	-	-
Trade and other receivables	88,086	57,152	3,374	2,542
Amount due from associates and jointly controlled entities	174,981	199,625	5,751	5,751
Amount due from subsidiaries	-	-	944,490	889,486
Inventories	8,074	9,131	210	239
Completed properties held for sale	191,795	207,936	-	-
Total current assets	542,181	632,671	962,242	982,471
Non-current assets:				
Associates and jointly controlled entities	641,072	585,589	-	-
Subsidiaries	-	-	448,338	454,781
Available-for-sale investments	59,626	66,540	-	-
Property, plant and equipment	1,175,957	1,195,059	229,665	229,620
Investment properties	688,698	688,698	-	-
Derivative financial instruments ⁽²⁾	12,398	-	12,398	-
Deferred tax assets	3,560	3,723	-	-
Intangible assets	5,991	6,185	-	-
Total non-current assets	2,587,302	2,545,794	690,401	684,401
Total assets	3,129,483	3,178,465	1,652,643	1,666,872
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	235,002	231,585	24,983	99,983
Trade and other payables	103,300	120,575	19,373	19,178
Amount due to subsidiaries	-	-	46,595	44,467
Income tax payable	10,023	11,337	610	68
Total current liabilities	348,325	363,497	91,561	163,696
Non-current liabilities:				
Advances from subsidiaries	-	-	21,419	22,094
Derivative financial instruments ⁽²⁾	-	4,530	-	4,530
Long-term borrowings	850,290	847,003	538,674	430,265
Deferred tax liabilities	13,669	14,151	913	1,016
Total non-current liabilities	863,959	865,684	561,006	457,905
Share capital and reserves:				
Share capital	719,345	717,895	719,345	717,895
Reserves	969,873	1,006,144	132,384	179,029
Equity attributable to shareholders of the Company	1,689,218	1,724,039	851,729	896,924
Perpetual capital securities	148,347	148,347	148,347	148,347
	1,837,565	1,872,386	1,000,076	1,045,271
Non-controlling interests	79,634	76,898	-	-
Total equity	1,917,199	1,949,284	1,000,076	1,045,271
Total liabilities and equity	3,129,483	3,178,465	1,652,643	1,666,872

Note:

- (1) Acquisition of held-for-trading investments during the first quarter.
- (2) The Group entered into cross currency swaps during the previous financial year to manage its exposure to exchange rate movements on its investments. This represents the estimated fair value of the swaps as at reporting date.

1(b)(ii) Aggregate Amount of Group's Borrowings and Debt Securities**Amount repayable in one year or less, or on demand**

As at Jun 30, 2016		As at Dec 31, 2015	
Secured	Unsecured	Secured	Unsecured
\$210,019,000	\$24,983,000	\$131,602,000	\$99,983,000

Amount repayable after one year

As at Jun 30, 2016		As at Dec 31, 2015	
Secured	Unsecured	Secured	Unsecured
\$426,139,000	\$424,151,000	\$432,799,000	\$414,204,000

Details of any collateral

The above are secured by legal mortgages on properties of the Company and some subsidiaries, fixed and floating charges on assets of the Company and some subsidiaries and pledge of shares of certain subsidiaries.

1(c) Consolidated Statement of Cash Flows

	Quarter ended Jun 30, 2016 \$'000	Quarter ended Jun 30, 2015 \$'000
Cash flows from operating activities:		
Profit before income tax and share of results of associates and jointly controlled entities	3,901	17,319
Adjustments for:		
Amortisation of intangible assets	82	81
Depreciation expense	13,069	12,059
Share-based payment expense	1,560	1,445
Write-back of impairment of available-for-sale investments	(37)	(41)
Gain on disposal of property, plant and equipment	-	(153)
Finance costs	7,746	8,878
Interest income	(814)	(231)
Dividend income	(1,149)	(793)
Profit before working capital changes	24,358	38,564
Trade and other payables	1,305	(4,654)
Completed properties held for sale	15,929	35,538
Receivables and prepayments	(22,729)	(30,407)
Held-for-trading investments	878	-
Inventories	47	(288)
Cash generated from operations	19,788	38,753
Dividend received	1,149	793
Income tax paid	(5,644)	(15,620)
Net cash from operating activities	15,293	23,926
Cash flows used in investing activities:		
Additional property, plant and equipment	(14,280)	(15,906)
Additional available-for-sale investment	(1,710)	(475)
Net investment in associates and jointly controlled entities	(74,356)	(25,262)
Proceeds from disposal of property, plant and equipment	155	409
Cash used in investing activities	(90,191)	(41,234)
Cash flows from (used in) financing activities:		
Interest received	814	231
Finance costs paid	(7,507)	(8,610)
Dividend paid	(41,599)	(51,963)
Distribution to perpetual capital securities holders	(4,581)	(4,556)
Non-controlling shareholders	500	724
Additional borrowings	128,007	79,495
Repayment of borrowings	(41,290)	(61,822)
Proceeds from issue of shares	-	800
Cash from (used in) financing activities	34,344	(45,701)
Net decrease in cash and cash equivalents	(40,554)	(63,009)
Cash and cash equivalents at beginning of period	109,555	147,762
Effect of exchange rate changes on cash balances held in foreign currencies	(516)	(173)
Cash and cash equivalents at end of period	68,485	84,580

Cash and cash equivalents at end of period

The cash and cash equivalents as at Jun 30, 2016, for the purposes of Consolidated Statement of Cash Flows, comprise of cash and bank balances less deposits under pledge to banks of \$3,556,000.

1(d)(i) Statement of Changes in Equity

	Share capital \$'000	Retained profits \$'000	Other reserves* \$'000	Share-holders' equity \$'000	Perpetual capital securities \$'000	Subtotal \$'000	Non-controlling interests \$'000	Total equity \$'000
GROUP								
Balance as at Apr 1, 2015	716,865	901,464	120,097	1,738,426	148,347	1,886,773	79,958	1,966,731
Total comprehensive income for the period								
Profit for the period	-	12,187	-	12,187	-	12,187	445	12,632
Other comprehensive loss for the period	-	-	(24,882)	(24,882)	-	(24,882)	(1,424)	(26,306)
Total	-	12,187	(24,882)	(12,695)	-	(12,695)	(979)	(13,674)
Transactions with owners, recognised directly in equity								
Recognition of share-based payments	-	-	1,445	1,445	-	1,445	-	1,445
Dividends	-	(51,963)	-	(51,963)	-	(51,963)	-	(51,963)
Net movement during the period	-	-	-	-	-	-	33	33
Issue of shares	1,030	-	(230)	800	-	800	-	800
Total	1,030	(51,963)	1,215	(49,718)	-	(49,718)	33	(49,685)
Distribution to perpetual capital securities holders	-	(4,556)	-	(4,556)	-	(4,556)	-	(4,556)
Balance as at Jun 30, 2015	717,895	857,132	96,430	1,671,457	148,347	1,819,804	79,012	1,898,816
Balance as at Apr 1, 2016	719,345	921,881	80,234	1,721,460	148,347	1,869,807	80,505	1,950,312
Total comprehensive income (loss) for the period								
Profit (Loss) for the period	-	13,221	-	13,221	-	13,221	(1,498)	11,723
Other comprehensive income (loss) for the period	-	-	(843)	(843)	-	(843)	115	(728)
Total	-	13,221	(843)	12,378	-	12,378	(1,383)	10,995
Transactions with owners, recognised directly in equity								
Recognition of share-based payments	-	-	1,560	1,560	-	1,560	-	1,560
Dividends	-	(41,599)	-	(41,599)	-	(41,599)	-	(41,599)
Net movement during the period	-	-	-	-	-	-	512	512
Total	-	(41,599)	1,560	(40,039)	-	(40,039)	512	(39,527)
Distribution to perpetual capital securities holders	-	(4,581)	-	(4,581)	-	(4,581)	-	(4,581)
Balance as at Jun 30, 2016	719,345	888,922	80,951	1,689,218	148,347	1,837,565	79,634	1,917,199

* Includes asset revaluation reserve, exchange fluctuation reserve, hedge reserve, option reserve and other capital reserve.

1(d)(i) Statement of Changes in Equity (cont'd)

	Share capital \$'000	Retained profits \$'000	Other reserves** \$'000	Shareholders' equity \$'000	Perpetual capital securities \$'000	Total equity \$'000
COMPANY						
Balance as at Apr 1, 2015	716,865	66,798	114,243	897,906	148,347	1,046,253
Total comprehensive loss for the period						
Loss for the period	-	(3,854)	-	(3,854)	-	(3,854)
Other comprehensive loss for the period	-	-	(553)	(553)	-	(553)
Total	-	(3,854)	(553)	(4,407)	-	(4,407)
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	-	-	1,445	1,445	-	1,445
Dividends	-	(51,963)	-	(51,963)	-	(51,963)
Issue of shares	1,030	-	(230)	800	-	800
Total	1,030	(51,963)	1,215	(49,718)	-	(49,718)
Distribution to perpetual capital securities holders	-	(4,556)	-	(4,556)	-	(4,556)
Balance as at Jun 30, 2015	717,895	6,425	114,905	839,225	148,347	987,572
Balance as at Apr 1, 2016	719,345	60,213	120,275	899,833	148,347	1,048,180
Total comprehensive income (loss) for the period						
Loss for the period	-	(3,508)	-	(3,508)	-	(3,508)
Other comprehensive income for the period	-	-	24	24	-	24
Total	-	(3,508)	24	(3,484)	-	(3,484)
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	-	-	1,560	1,560	-	1,560
Dividends	-	(41,599)	-	(41,599)	-	(41,599)
Total	-	(41,599)	1,560	(40,039)	-	(40,039)
Distribution to perpetual capital securities holders	-	(4,581)	-	(4,581)	-	(4,581)
Balance as at Jun 30, 2016	719,345	10,525	121,859	851,729	148,347	1,000,076

** Includes asset revaluation reserve, hedge reserve and option reserve.

1(d)(ii) Details of Any Changes in Company's Issued Share Capital

The Company did not issue any new share for the current quarter under review.

As at Jun 30, 2016, the number of outstanding share options under the Company's Share Option Schemes was 13,045,000 (as at Jun 30, 2015: 8,120,000), and the number of outstanding performance shares under the Company's Performance Share Plan was 1,507,600 (as at Jun 30, 2015: 1,759,500).

1(d)(iii) Total Number of Issued Shares

	Jun 30, 2016	Dec 31, 2015
Total number of issued shares excluding treasury shares	519,982,651	519,630,751

1(d)(iv) Statement Showing All Sales, Transfers, Disposal, Cancellation and/or Use of Treasury Shares

Not applicable. There is no treasury share as at the end of the current financial period reported on.

2. Audit Statement

The figures have not been audited or reviewed.

3. Auditors' Report

Not applicable.

4. Changes in Accounting Policies

The Group and Company have followed the same accounting policies and methods of computation as in the most recently audited annual financial statements except as explained in paragraph 5 below.

5. Reasons for and Effect of Changes in Accounting Policies

The Group has adopted all relevant revised Singapore Financial Reporting Standards ("FRS") and amendments that are mandatory for financial years beginning on or after January 1, 2016. The adoption of these revised FRSs and amendments has no significant impact to the Group.

6. Earnings Per Ordinary Share

	Quarter ended Jun 30, 2016	Quarter ended Jun 30, 2015
Based on the weighted average number of ordinary shares in issue	2.10 cents	1.90 cents
On a fully diluted basis	2.09 cents	1.90 cents

Earnings per ordinary share is calculated based on net profit attributable to ordinary shareholders after deducting provision for distribution to perpetual capital securities holders.

7. Net Asset Value

	Jun 30, 2016	Dec 31, 2015
GROUP	\$3.25	\$3.32
COMPANY	\$1.64	\$1.73

Net asset value per ordinary share is calculated based on net assets excluding perpetual capital securities that is attributable to the ordinary shareholders divided by the number of issued shares of the Company.

8. Review of Performance

For the second quarter ended June 30, 2016, the Group recorded a revenue of \$129.7 million compared to \$163.8 million for the corresponding quarter last year. The decrease was mainly attributable to lower contributions from the Tomlinson Heights condominium development. Contribution from the Group's resorts in the Maldives was also affected by softer demand as well as on-going refurbishment works at Four Seasons Resort Maldives at Kuda Huraa.

The Group's share of results of associates and jointly controlled entities increased from \$1 million for Q2 2015 to \$11 million for the quarter under review due mainly to higher profit contribution from d'Leedon condominium development at Farrer Road, Singapore. During the quarter under review, the Group made further investments in an associate which completed the acquisition of two properties, Ludgate House and Sampson House in Bankside, the London Borough of Southwark, London. Another jointly controlled entity also completed the acquisition of The Nam Hai, a five-star beachfront resort in Vietnam. These contributed to the increase in associates and jointly controlled entities and a decrease in bank balances in the Group's Statement of Financial Position as well as a net additional borrowings during the quarter under review as reflected in the Statement of Cash Flows.

After taking into account taxes and non-controlling interests, the net profit attributable to shareholders for the quarter ended June 30, 2016 was \$13.2 million, an increase of 8.5% from \$12.2 million reported for the corresponding quarter last year.

9. Variance from Previous Forecast or Prospect Statement

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.

In view of the uncertainties in global economy, the Group expects the business environment to continue to be challenging. Brexit, being a long and complicated process, has introduced uncertainties and affected business sentiments in the UK. However, a weaker Sterling may boost foreign investors' interest in properties in London. In Singapore, the Group's associates recently launched fresh marketing campaigns for d'Leedon and The Interlace condominiums which were well received by property buyers.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared/recommended by the Company for the current financial period reported on.

13. Interested Person Transactions ("IPT")

The Group has not obtained a general mandate from shareholders for IPTs.

Name of Interested Person	Aggregate value of all IPT during the second quarter ended Jun 30, 2016 (excluding transactions below \$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920) \$'000	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions below \$100,000) \$'000
Associates* of Mr Ong Beng Seng / Mr David Fu Kuo Chen		
- Rental income	2,511	-
- Management fee income	226	-
- Management fee expense	210	-
- Equity contribution	970	-

Note:

* "Associate" in relation to a director, chief executive officer or controlling shareholder means

- his immediately family;
- the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
- any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

14. Negative Assurance Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the second quarter 2016 unaudited financial statements to be false or misleading in any material respect.

15. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

BY ORDER OF THE BOARD

Lo Swee Oi
Company Secretary
August 11, 2016