



HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

Second Quarter Financial Statements

1(a)(i) Income Statement

| | GROUP \$'000 | |
|--|-------------------------------|-------------------------------|
| | Quarter ended Jun 30, 2017 | Quarter ended Jun 30, 2016 |
| Revenue | 190,152 | 129,680 |
| Cost of sales | (147,329) | (104,261) |
| Gross profit | 42,823 | 25,419 |
| Other operating income | 2,314 | 2,756 |
| Administrative expenses | (16,469) | (15,892) |
| Other operating expenses | (241) | (636) |
| Finance costs | (7,004) | (7,746) |
| Share of results of associates and jointly controlled entities | 304 | 11,033 |
| Profit before income tax | 21,727 | 14,934 |
| Income tax expense | (5,409) | (3,211) |
| Profit after income tax | 16,318 | 11,723 |
| Attributable to: | | |
| Shareholders of the Company | 16,287 | 13,221 |
| Non-controlling interests | 31 | (1,498) |
| | 16,318 | 11,723 |

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

| | GROUP \$'000 | |
|---|-------------------------------|-------------------------------|
| | Quarter ended Jun 30, 2017 | Quarter ended Jun 30, 2016 |
| Investment income* | 971 | 1,149 |
| Other income including interest income* | 1,300 | 1,566 |
| Depreciation and amortisation | (13,934) | (13,151) |
| Fair value loss in held-for-trading investments* | (45) | (89) |
| Foreign exchange loss* | (46) | (54) |
| Adjustment for under provision of tax in respect of prior years | (496) | (1,136) |

Note:

* Included in other operating income (expenses)

1(a)(iii) Statement of Comprehensive Income

| | GROUP | |
|--|---------------------------------------|---------------------------------------|
| | \$'000 | |
| | Quarter ended Jun 30, 2017 | Quarter ended Jun 30, 2016 |
| Profit after income tax | 16,318 | 11,723 |
| 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 | (10,820) | 17,838 |
| Increase (Decrease) in other reserves | 26,386 | (441) |
| Share of other comprehensive income (loss) of associates and jointly controlled entities | 8,283 | (18,125) |
| | 23,849 | (728) |
| Other comprehensive income (loss) for the period, net of tax | 23,849 | (728) |
| Total comprehensive income | 40,167 | 10,995 |
| Attributable to: | | |
| Shareholders of the Company | 40,687 | 12,378 |
| Non-controlling interests | (520) | (1,383) |
| | 40,167 | 10,995 |

1(b)(i) Statements of Financial Position

| | GROUP | | COMPANY | |
|--|---------------------|---------------------|---------------------|---------------------|
| | \$'000 | | \$'000 | |
| | Jun 30, 2017 | Dec 31, 2016 | Jun 30, 2017 | Dec 31, 2016 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and bank balances | 94,067 | 117,179 | 6,300 | 18,187 |
| Held-for-trading investments | - | 806 | - | - |
| Trade and other receivables | 116,350 | 111,387 | 3,136 | 2,353 |
| Amount due from associates and jointly controlled entities | 189,764 | 194,382 | 5,511 | 5,511 |
| Amount due from subsidiaries | - | - | 891,102 | 902,429 |
| Inventories | 8,227 | 9,422 | 178 | 184 |
| Completed properties held for sale | 92,895 | 144,984 | - | - |
| Total current assets | 501,303 | 578,160 | 906,227 | 928,664 |
| Non-current assets: | | | | |
| Associates and jointly controlled entities | 594,692 | 590,339 | - | - |
| Subsidiaries | - | - | 404,634 | 450,860 |
| Available-for-sale investments ⁽¹⁾ | 86,340 | 57,025 | - | - |
| Property, plant and equipment | 1,229,283 | 1,245,447 | 227,455 | 228,565 |
| Investment properties | 686,348 | 686,348 | - | - |
| Derivative financial instruments | 13,969 | 12,489 | 13,969 | 12,489 |
| Deferred tax assets | 4,326 | 4,236 | - | - |
| Intangible assets | 6,067 | 6,160 | - | - |
| Total non-current assets | 2,621,025 | 2,602,044 | 646,058 | 691,914 |
| Total assets | 3,122,328 | 3,180,204 | 1,552,285 | 1,620,578 |
| | | | | |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | 174,308 | 282,220 | 44,989 | 24,992 |
| Trade and other payables | 101,933 | 126,829 | 16,173 | 24,604 |
| Amount due to subsidiaries | - | - | 45,443 | 44,456 |
| Income tax payable | 10,655 | 17,511 | 495 | - |
| Total current liabilities | 286,896 | 426,560 | 107,100 | 94,052 |
| Non-current liabilities: | | | | |
| Advances from subsidiaries | - | - | 22,241 | 22,980 |
| Long-term borrowings | 788,067 | 710,087 | 423,051 | 455,503 |
| Deferred tax liabilities | 14,968 | 15,221 | 906 | 1,004 |
| Total non-current liabilities | 803,035 | 725,308 | 446,198 | 479,487 |
| Share capital and reserves: | | | | |
| Share capital | 721,143 | 719,693 | 721,143 | 719,693 |
| Reserves | 1,073,443 | 1,073,536 | 129,091 | 178,999 |
| Equity attributable to shareholders of the Company | 1,794,586 | 1,793,229 | 850,234 | 898,692 |
| Perpetual capital securities | 148,753 | 148,347 | 148,753 | 148,347 |
| | 1,943,339 | 1,941,576 | 998,987 | 1,047,039 |
| Non-controlling interests | 89,058 | 86,760 | - | - |
| Total equity | 2,032,397 | 2,028,336 | 998,987 | 1,047,039 |
| Total liabilities and equity | 3,122,328 | 3,180,204 | 1,552,285 | 1,620,578 |

Note:

- (1) Available-for-sale investments increased mainly due to change in fair value by reference to the market prices as at June 30, 2017, which was credited to Other Comprehensive Income.

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, 2017 | | As at Dec 31, 2016 | |
|--------------------|--------------|--------------------|--------------|
| Secured | Unsecured | Secured | Unsecured |
| \$129,319,000 | \$44,989,000 | \$257,228,000 | \$24,992,000 |

Amount repayable after one year

| As at Jun 30, 2017 | | As at Dec 31, 2016 | |
|--------------------|---------------|--------------------|---------------|
| Secured | Unsecured | Secured | Unsecured |
| \$406,903,000 | \$381,164,000 | \$283,505,000 | \$426,582,000 |

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, 2017 \$'000 | Quarter ended Jun 30, 2016 \$'000 |
|---|---|---|
| Cash flows from operating activities: | | |
| Profit before income tax and share of results of associates and jointly controlled entities | 21,423 | 3,901 |
| Adjustments for: | | |
| Amortisation of intangible assets | 85 | 82 |
| Depreciation expense | 13,849 | 13,069 |
| Share-based payment expense | 567 | 1,560 |
| Write-back of impairment of available-for-sale investments | - | (37) |
| Finance costs | 7,004 | 7,746 |
| Interest income | (274) | (814) |
| Dividend income | (971) | (1,149) |
| Profit before working capital changes | 41,683 | 24,358 |
| Trade and other payables | (164) | 1,305 |
| Completed properties held for sale | 52,126 | 15,929 |
| Receivables and prepayments | (74,104) | (22,729) |
| Held-for-trading investments | 694 | 878 |
| Inventories | 43 | 47 |
| Cash generated from operations | 20,278 | 19,788 |
| Dividend received | 971 | 1,149 |
| Income tax paid | (13,980) | (5,644) |
| Net cash from operating activities | 7,269 | 15,293 |
| Cash flows used in investing activities: | | |
| Additional property, plant and equipment | (18,673) | (14,280) |
| Proceeds from (Additional) available-for-sale investment | 1,848 | (1,710) |
| Additional intangible asset | (83) | - |
| Net repayment from (investment in) associates and jointly controlled entities | 2,983 | (74,356) |
| Proceeds from disposal of property, plant and equipment | 153 | 155 |
| Net cash used in investing activities | (13,772) | (90,191) |
| Cash flows (used in) from financing activities: | | |
| Interest received | 274 | 814 |
| Finance costs paid | (6,811) | (7,507) |
| Dividend paid | (41,635) | (41,599) |
| Distribution to perpetual capital securities holders | (4,556) | (4,581) |
| Non-controlling shareholders | 437 | 500 |
| Additional borrowings | 9,644 | 128,007 |
| Repayment of borrowings | (17,809) | (41,290) |
| Redemption of perpetual capital securities | (150,000) | - |
| Net proceeds from issue of perpetual capital securities | 148,753 | - |
| Net cash (used in) from financing activities | (61,703) | 34,344 |
| Net decrease in cash and cash equivalents | (68,206) | (40,554) |
| Cash and cash equivalents at beginning of period | 159,415 | 109,555 |
| Effect of exchange rate changes on cash balances held in foreign currencies | (777) | (516) |
| Cash and cash equivalents at end of period | 90,432 | 68,485 |

Cash and cash equivalents at end of period

The cash and cash equivalents as at Jun 30, 2017, for the purposes of Consolidated Statement of Cash Flows, comprise of cash and bank balances less deposits under pledge to banks of \$3,635,000.

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, 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 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 |
| Balance as at Apr 1, 2017 | 721,143 | 970,693 | 103,987 | 1,795,823 | - | 1,795,823 | 89,611 | 1,885,434 |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | 16,287 | - | 16,287 | - | 16,287 | 31 | 16,318 |
| Other comprehensive income (loss) for the period | - | - | 24,400 | 24,400 | - | 24,400 | (551) | 23,849 |
| Total | - | 16,287 | 24,400 | 40,687 | - | 40,687 | (520) | 40,167 |
| Transactions with owners, recognised directly in equity | | | | | | | | |
| Recognition of share-based payments | - | - | 567 | 567 | - | 567 | - | 567 |
| Dividends | - | (41,635) | - | (41,635) | - | (41,635) | - | (41,635) |
| Net movement during the period | - | - | - | - | - | - | (33) | (33) |
| Total | - | (41,635) | 567 | (41,068) | - | (41,068) | (33) | (41,101) |
| Issue of perpetual capital securities | - | - | - | - | 148,753 | 148,753 | - | 148,753 |
| Distribution to perpetual capital securities holders | - | (856) | - | (856) | - | (856) | - | (856) |
| Balance as at Jun 30, 2017 | 721,143 | 944,489 | 128,954 | 1,794,586 | 148,753 | 1,943,339 | 89,058 | 2,032,397 |

* 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, 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 |
| Balance as at Apr 1, 2017 | 721,143 | 53,370 | 120,515 | 895,028 | - | 895,028 |
| Total comprehensive income (loss) for the period | | | | | | |
| Loss for the period | - | (3,144) | - | (3,144) | - | (3,144) |
| Other comprehensive income for the period | - | - | 274 | 274 | - | 274 |
| Total | - | (3,144) | 274 | (2,870) | - | (2,870) |
| Transactions with owners, recognised directly in equity | | | | | | |
| Recognition of share-based payments | - | - | 567 | 567 | - | 567 |
| Dividends | - | (41,635) | - | (41,635) | - | (41,635) |
| Total | - | (41,635) | 567 | (41,068) | - | (41,068) |
| Issue of perpetual capital securities | - | - | - | - | 148,753 | 148,753 |
| Distribution to perpetual capital securities holders | - | (856) | - | (856) | - | (856) |
| Balance as at Jun 30, 2017 | 721,143 | 7,735 | 121,356 | 850,234 | 148,753 | 998,987 |

** 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, 2017, the number of outstanding share options under the Company's Share Option Schemes was 13,045,000 (as at Jun 30, 2016: 13,045,000), and the number of outstanding performance shares under the Company's Performance Share Plan was 1,055,700 (as at Jun 30, 2016: 1,507,600).

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

| | Jun 30, 2017 | Dec 31, 2016 |
|---|--------------|--------------|
| Total number of issued shares excluding treasury shares | 520,434,551 | 520,082,651 |

1(d)(iv) Statement Showing All Sales, Transfers, 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.

1(d)(v) Statement Showing All Sales, Transfers, Cancellation and/or Use of Subsidiary Holdings

Not applicable. There is no subsidiary holdings 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, 2017. The adoption of these revised FRSs and amendments has no significant impact to the Group.

6. Earnings Per Ordinary Share

| | Quarter ended Jun 30, 2017 | Quarter ended Jun 30, 2016 |
|--|----------------------------|----------------------------|
| Based on the weighted average number of ordinary shares in issue | 2.76 cents | 2.10 cents |
| On a fully diluted basis | 2.76 cents | 2.09 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, 2017 | Dec 31, 2016 |
|---------|--------------|--------------|
| GROUP | \$3.45 | \$3.45 |
| COMPANY | \$1.63 | \$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, 2017, the Group achieved a revenue of \$190.2 million, which is 46.6% higher than the \$129.7 million recorded for the corresponding quarter last year. The increase was mainly attributable to sale of completed condominium units from the Tomlinson Heights development. Contribution from the Group's resorts in the Maldives also improved with the completion of upgrade of water villas at the Four Seasons Resort Maldives at Kuda Huraa.

The Group's share of results of associates and jointly controlled entities decreased from \$11 million for Q2 2016 to \$304,000 for the quarter under review mainly due to lower contribution from d'Leedon condominium development at Farrer Road, Singapore.

After taking into account taxes and non-controlling interests, the net profit attributable to shareholders for the quarter ended June 30, 2017, was \$16.3 million, an increase of 23.2% from \$13.2 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.

The Group's two property development projects in London, Burlington Gate and Holland Park Villas are on track for completion later this year. In July 2017, the Group acquired three hotels, Four Seasons Resort Langkawi, DoubleTree by Hilton Hotel London - Ealing and Hilton London Olympia, through associate and jointly controlled entities. These acquisitions are expected to contribute to the Group's operating performance in the coming quarters ahead. Nevertheless, business environment remains challenging with the continuing uncertainties in both global economic and political environments.

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/recommendeded 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.

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 2017 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, 2017