



HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

Second Quarter Financial Statements

1(a)(i) Income Statement

	GROUP \$'000	
	Quarter ended Jun 30, 2018	Quarter ended Jun 30, 2017
Revenue	137,183	190,152
Cost of sales	(110,197)	(147,329)
Gross profit	26,986	42,823
Other operating income	3,841	2,314
Administrative expenses	(16,108)	(16,469)
Other operating expenses	(757)	(241)
Finance costs	(6,992)	(7,004)
Share of results of associates and jointly controlled entities	1,300	304
Profit before income tax	8,270	21,727
Income tax expense	(3,541)	(5,409)
Profit after income tax	4,729	16,318
Attributable to:		
Shareholders of the Company	5,750	16,287
Non-controlling interests	(1,021)	31
	4,729	16,318

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

	GROUP \$'000	
	Quarter ended Jun 30, 2018	Quarter ended Jun 30, 2017
Investment income*	548	971
Other income including interest income*	606	1,300
Depreciation and amortisation	(15,253)	(13,934)
Allowance for doubtful trade receivables*	(159)	-
Fair value loss in held-for-trading investments*	(235)	(45)
Fair value gain in investments*	2,681	-
Foreign exchange loss*	(100)	(46)
Adjustment for under provision of tax in respect of prior years	(672)	(496)

Note:

* Included in other operating income (expenses).

1(a)(iii) Statement of Comprehensive Income

	GROUP \$'000	
	Quarter ended Jun 30, 2018	Quarter ended Jun 30, 2017
Profit after income tax	4,729	16,318
Other comprehensive (loss) income (net of tax):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	6,579	(10,820)
Increase in other reserves	-	26,386
Share of other comprehensive (loss) income of associates and jointly controlled entities	(11,575)	8,283
	(4,996)	23,849
Other comprehensive (loss) income for the period, net of tax	(4,996)	23,849
Total comprehensive (loss) income	(267)	40,167
Attributable to:		
Shareholders of the Company	(253)	40,687
Non-controlling interests	(14)	(520)
	(267)	40,167

1(b)(i) Statements of Financial Position

	GROUP \$'000		COMPANY \$'000	
	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017
ASSETS				
Current assets:				
Cash and bank balances	190,575	211,803	64,658	144,540
Held-for-trading investments ⁽¹⁾	2,212	-	-	-
Trade and other receivables	59,852	67,825	3,174	3,488
Amount due from associates and jointly controlled entities ⁽²⁾	141,046	199,138	5,367	5,511
Amount due from subsidiaries	-	-	808,455	994,483
Inventories	9,054	9,515	166	202
Completed properties held for sale ⁽³⁾	10,292	42,305	-	-
Total current assets	413,031	530,586	881,820	1,148,224
Non-current assets:				
Associates and jointly controlled entities ⁽²⁾	516,367	631,522	-	-
Subsidiaries	-	-	448,502	475,364
Investments ⁽⁴⁾	123,386	93,353	-	-
Property, plant and equipment	1,397,410	1,372,067	225,603	226,359
Investment properties	702,359	702,359	-	-
Derivative financial instruments	12,577	12,963	12,577	12,963
Deferred tax assets	3,409	3,367	-	-
Intangible assets	15,525	15,697	-	-
Total non-current assets	2,771,033	2,831,328	686,682	714,686
Total assets	3,184,064	3,361,914	1,568,502	1,862,910
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings ⁽⁵⁾	179,763	194,991	30,000	74,993
Trade and other payables	118,414	135,365	19,385	29,666
Amount due to subsidiaries	-	-	45,753	44,456
Income tax payable	43,726	29,045	545	-
Total current liabilities	341,903	359,401	95,683	149,115
Non-current liabilities:				
Advances from subsidiaries	-	-	101,659	157,298
Long-term borrowings ⁽⁵⁾	602,173	809,188	372,862	499,244
Deferred tax liabilities	17,704	18,084	796	855
Total non-current liabilities	619,877	827,272	475,317	657,397
Share capital and reserves:				
Share capital	722,593	721,143	722,593	721,143
Reserves	1,247,898	1,210,137	126,156	186,502
Equity attributable to shareholders of the Company	1,970,491	1,931,280	848,749	907,645
Perpetual capital securities	148,753	148,753	148,753	148,753
	2,119,244	2,080,033	997,502	1,056,398
Non-controlling interests	103,040	95,208	-	-
Total equity	2,222,284	2,175,241	997,502	1,056,398
Total liabilities and equity	3,184,064	3,361,914	1,568,502	1,862,910

Note:

- (1) Acquisition of held-for-trading investments during the period.
- (2) Associates and jointly controlled entities decreased mainly due to repayment and dividends received.
- (3) Completed properties held for sale decreased mainly due to sales during the period.
- (4) Investments increased mainly due to acquisition during the period and change in fair value by reference to the market prices as at Jun 30, 2018, which was credited to Other operating income.
- (5) Borrowings decreased due mainly to repayment during the period.

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, 2018		As at Dec 31, 2017	
Secured	Unsecured	Secured	Unsecured
\$149,763,000	\$30,000,000	\$119,998,000	\$74,993,000

Amount repayable after one year

As at Jun 30, 2018		As at Dec 31, 2017	
Secured	Unsecured	Secured	Unsecured
\$251,701,000	\$350,472,000	\$458,296,000	\$350,892,000

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, 2018 \$'000	Quarter ended Jun 30, 2017 \$'000
Cash flows from operating activities:		
Profit before income tax and share of results of associates and jointly controlled entities	6,970	21,423
Adjustments for:		
Amortisation of intangible assets	94	85
Depreciation expense	15,159	13,849
Share-based payment expense	251	567
Fair value loss in held-for-trading investments	235	-
Fair value gain in investments	(2,681)	-
Finance costs	6,992	7,004
Interest income	(490)	(274)
Dividend income	(548)	(971)
Profit before working capital changes	25,982	41,683
Trade and other payables	3,368	(164)
Completed properties held for sale	16,023	52,126
Receivables and prepayments	8,016	(74,104)
Held-for-trading investments	(2,447)	694
Inventories	(132)	43
Cash generated from operations	50,810	20,278
Dividend received	548	971
Income tax paid	(5,826)	(13,980)
Net cash from operating activities	45,532	7,269
Cash flows used in investing activities:		
Additional property, plant and equipment	(26,718)	(18,673)
(Additional) Proceeds from investments	(14,764)	1,848
Additional intangible asset	-	(83)
Net repayment from associates and jointly controlled entities	33,765	2,983
Proceeds from disposal of property, plant and equipment	121	153
Net cash used in investing activities	(7,596)	(13,772)
Cash flows used in financing activities:		
Interest received	490	274
Finance costs paid	(6,719)	(6,811)
Dividend paid	(52,079)	(41,635)
Distribution to perpetual capital securities holders	(3,459)	(4,556)
Non-controlling shareholders	829	437
Additional borrowings	14,045	9,644
Repayment of borrowings	(15,468)	(17,809)
Redemption of perpetual capital securities	-	(150,000)
Net proceeds from issue of perpetual capital securities	-	148,753
Net cash used in financing activities	(62,361)	(61,703)
Net decrease in cash and cash equivalents	(24,425)	(68,206)
Cash and cash equivalents at beginning of period	209,032	159,415
Effect of exchange rate changes on cash balances held in foreign currencies	1,681	(777)
Cash and cash equivalents at end of period	186,288	90,432

Cash and cash equivalents at end of period

The cash and cash equivalents as at Jun 30, 2018, for the purposes of Consolidated Statement of Cash Flows, comprise of cash and bank balances less deposits under pledge to banks of \$4,287,000.

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

	Share capital \$'000	Retained profits \$'000	Other reserves* \$'000	Shareholders' equity \$'000	Perpetual capital securities \$'000	Subtotal \$'000	Non-controlling interests \$'000	Total equity \$'000
GROUP								
Balance as at Apr 1, 2017	721,143	970,693	103,987	1,795,823	-	1,795,823	89,611	1,885,434
Effect of adoption of SFRS(l)	-	134,211	(134,211)	-	-	-	-	-
Balance as at Apr 1, 2017, as restated	721,143	1,104,904	(30,224)	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	1,078,700	(5,257)	1,794,586	148,753	1,943,339	89,058	2,032,397
Balance as at Apr 1, 2018	722,593	1,314,007	(10,569)	2,026,031	148,753	2,174,784	100,716	2,275,500
Total comprehensive income (loss) for the period								
Profit (Loss) for the period	-	5,750	-	5,750	-	5,750	(1,021)	4,729
Other comprehensive income (loss) for the period	-	-	(6,003)	(6,003)	-	(6,003)	1,007	(4,996)
Total	-	5,750	(6,003)	(253)	-	(253)	(14)	(267)
Transactions with owners, recognised directly in equity								
Recognition of share-based payments	-	-	251	251	-	251	-	251
Dividends	-	(52,079)	-	(52,079)	-	(52,079)	-	(52,079)
Net movement during the period	-	-	-	-	-	-	2,338	2,338
Total	-	(52,079)	251	(51,828)	-	(51,828)	2,338	(49,490)
Distribution to perpetual capital securities holders	-	(3,459)	-	(3,459)	-	(3,459)	-	(3,459)
Balance as at Jun 30, 2018	722,593	1,264,219	(16,321)	1,970,491	148,753	2,119,244	103,040	2,222,284

* 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, 2017	721,143	53,370	120,515	895,028	-	895,028
Effect of adoption of SFRS(l)	-	110,785	(110,785)	-	-	-
Balance as at Apr 1, 2017, as restated	721,143	164,155	9,730	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	-	-	-	-	148,753	148,753
Distribution to perpetual capital securities holders	-	(856)	-	(856)	-	(856)
Balance as at Jun 30, 2017	721,143	118,520	10,571	850,234	148,753	998,987
Balance as at Apr 1, 2018	722,593	172,566	10,509	905,668	148,753	1,054,421
Total comprehensive loss for the period						
Loss for the period	-	(1,363)	-	(1,363)	-	(1,363)
Other comprehensive loss for the period	-	-	(269)	(269)	-	(269)
Total	-	(1,363)	(269)	(1,632)	-	(1,632)
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	-	-	251	251	-	251
Dividends	-	(52,079)	-	(52,079)	-	(52,079)
Total	-	(52,079)	251	(51,828)	-	(51,828)
Distribution to perpetual capital securities holders	-	(3,459)	-	(3,459)	-	(3,459)
Balance as at Jun 30, 2018	722,593	115,665	10,491	848,749	148,753	997,502

** 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 shares for the current quarter under review.

As at Jun 30, 2018, the number of outstanding share options under the Company's Share Option Scheme was 14,225,000 (as at Jun 30, 2017: 13,045,000), and the number of outstanding performance shares under the Company's Performance Share Plan was 703,800 (as at Jun 30, 2017: 1,055,700).

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

	Jun 30, 2018	Dec 31, 2017
Total number of issued shares excluding treasury shares	520,786,451	520,434,551

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 the new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)") that are mandatory for financial years beginning on or after January 1, 2018.

The adoption of SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has no significant impact to the Group, other than the reclassification of the credit balance of \$221,479,000 in the asset revaluation reserve as at January 1, 2017 (date of transition) to retained earnings, and the reset of cumulative foreign currency translation reserve to nil at the date of transition by reclassifying the debit balance of \$87,268,000 in the foreign currency translation reserve at that date to retained earnings.

The Group has also adopted SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* that are effective for annual periods beginning on or after January 1, 2018 and are relevant to the Group's operations. The adoption of SFRS(I) 9 has resulted in a change in the Group's accounting policy on available-for-sale investments. The Group has designated these investments as financial assets at fair value through profit or loss and an amount of \$13,917,000 was reclassified from other reserves to retained earnings as at January 1, 2018. The adoption of SFRS(I) 15 has no significant impact to the Group.

6. Earnings Per Ordinary Share

	Quarter ended Jun 30, 2018	Quarter ended Jun 30, 2017
Based on the weighted average number of ordinary shares in issue	0.77 cents	2.76 cents
On a fully diluted basis	0.77 cents	2.76 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, 2018	Dec 31, 2017
GROUP	\$3.78	\$3.71
COMPANY	\$1.63	\$1.74

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, 2018, the Group recorded a revenue of \$137.2 million compared to \$190.2 million for the corresponding quarter last year. The decrease was mainly attributable to lower contributions from the property division. The performance of the Group's resorts in the Maldives and Bali were also affected by adverse political and environmental conditions respectively. Nevertheless, cash generated from Group operations for the quarter under review remain healthy at \$50.8 million compared to \$20.3 million for second quarter last year.

The Group's share of results of associates and jointly controlled entities increased from \$0.3 million for Q2 2017 to \$1.3 million for the quarter under review mainly due to profits from Holland Park Villas development in London. The Group also received further dividends and repayments from associates and jointly controlled entities during the quarter under review generating net cash inflow of \$33.8 million compared to \$3 million for Q2 2017.

Group profit before income tax for the quarter under review was \$8.3 million compared to \$21.7 million for the corresponding quarter last year. After taking into account income tax and non-controlling interests, the net profit attributable to shareholders for the quarter ended June 30, 2018 was \$5.8 million compared to \$16.3 million for second 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 global economic outlook remains largely positive but the ongoing US-China trade tensions pose some uncertainties. The Group's hotels and resorts are expected to continue their contributions to the Group's operating performance, although geopolitical risks remain in certain regions.

In London, Brexit uncertainties continue to weigh on the market. The Group will continue marketing the remaining units in the Burlington Gate and Holland Park Villas developments.

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/recommendeded, 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 2018 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
Aug 13, 2018