



# HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

## Third Quarter Financial Statements

### 1(a)(i) Income Statement

	GROUP \$'000	
	Quarter ended Sep 30, 2018	Quarter ended Sep 30, 2017
Revenue	129,542	165,088
Cost of sales	(101,599)	(124,562)
Gross profit	27,943	40,526
Other operating income	6,067	435
Administrative expenses	(16,051)	(15,564)
Other operating expenses	(11,930)	(316)
Finance costs	(7,018)	(7,153)
Share of results of associates and jointly controlled entities	22,139	29,555
Profit before income tax	21,150	47,483
Income tax expense	(712)	(5,471)
Profit after income tax	20,438	42,012
Attributable to:		
Shareholders of the Company	21,923	42,226
Non-controlling interests	(1,485)	(214)
	20,438	42,012

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

	GROUP \$'000	
	Quarter ended Sep 30, 2018	Quarter ended Sep 30, 2017
Investment income*	214	35
Other income including interest income* <sup>(1)</sup>	5,289	344
Depreciation and amortisation <sup>(2)</sup>	(16,189)	(13,763)
Fair value gain in held-for-trading investments*	227	-
Fair value loss in investments*	(9,922)	-
Foreign exchange gain*	333	56
Adjustment for over provision of tax in respect of prior years	2,445	-

#### Note:

\* Included in other operating income (expenses).

(1) Other income including interest income increased mainly due to a non-recurring income received.

(2) Depreciation and amortisation increased mainly due to higher depreciation arising from hotel improvements.

1(a)(iii) Statement of Comprehensive Income

	GROUP \$'000	
	Quarter ended Sep 30, 2018	Quarter ended Sep 30, 2017
Profit after income tax	20,438	42,012
Other comprehensive income (net of tax):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	6,515	(7,784)
Increase in other reserves	-	6,593
Share of other comprehensive (loss) income of associates and jointly controlled entities	(753)	2,924
	5,762	1,733
Other comprehensive income for the period, net of tax	5,762	1,733
Total comprehensive income	26,200	43,745
Attributable to:		
Shareholders of the Company	27,797	44,845
Non-controlling interests	(1,597)	(1,100)
	26,200	43,745

**1(b)(i) Statements of Financial Position**

	GROUP \$'000		COMPANY \$'000	
	Sep 30, 2018	Dec 31, 2017	Sep 30, 2018	Dec 31, 2017
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and bank balances	91,036	211,803	8,670	144,540
Held-for-trading investments <sup>(1)</sup>	24,389	-	-	-
Trade and other receivables <sup>(2)</sup>	48,686	67,825	5,274	3,488
Amount due from associates and jointly controlled entities <sup>(3)</sup>	124,249	199,138	5,217	5,511
Amount due from subsidiaries	-	-	738,323	994,483
Inventories	8,712	9,515	155	202
Completed properties held for sale <sup>(4)</sup>	10,577	42,305	-	-
<b>Total current assets</b>	<b>307,649</b>	<b>530,586</b>	<b>757,639</b>	<b>1,148,224</b>
<b>Non-current assets:</b>				
Associates and jointly controlled entities <sup>(3)</sup>	519,548	631,522	-	-
Subsidiaries	-	-	444,112	475,364
Investments <sup>(5)</sup>	111,263	93,353	-	-
Property, plant and equipment	1,421,441	1,372,067	224,918	226,359
Investment properties	702,359	702,359	-	-
Derivative financial instruments	13,162	12,963	13,162	12,963
Deferred tax assets	3,376	3,367	-	-
Intangible assets	15,475	15,697	-	-
<b>Total non-current assets</b>	<b>2,786,624</b>	<b>2,831,328</b>	<b>682,192</b>	<b>714,686</b>
<b>Total assets</b>	<b>3,094,273</b>	<b>3,361,914</b>	<b>1,439,831</b>	<b>1,862,910</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Short-term borrowings <sup>(6)</sup>	289,280	194,991	58,301	74,993
Trade and other payables	145,415	135,365	22,440	29,666
Amount due to subsidiaries	-	-	48,079	44,456
Income tax payable	34,965	29,045	1,271	-
<b>Total current liabilities</b>	<b>469,660</b>	<b>359,401</b>	<b>130,091</b>	<b>149,115</b>
<b>Non-current liabilities:</b>				
Advances from subsidiaries	-	-	111,064	157,298
Long-term borrowings <sup>(7)</sup>	353,756	809,188	199,803	499,244
Deferred tax liabilities	17,722	18,084	764	855
<b>Total non-current liabilities</b>	<b>371,478</b>	<b>827,272</b>	<b>311,631</b>	<b>657,397</b>
<b>Share capital and reserves:</b>				
Share capital	722,593	721,143	722,593	721,143
Reserves	1,275,949	1,210,137	126,763	186,502
Equity attributable to shareholders of the Company	1,998,542	1,931,280	849,356	907,645
Perpetual capital securities	148,753	148,753	148,753	148,753
	2,147,295	2,080,033	998,109	1,056,398
Non-controlling interests	105,840	95,208	-	-
<b>Total equity</b>	<b>2,253,135</b>	<b>2,175,241</b>	<b>998,109</b>	<b>1,056,398</b>
<b>Total liabilities and equity</b>	<b>3,094,273</b>	<b>3,361,914</b>	<b>1,439,831</b>	<b>1,862,910</b>

**Note:**

- (1) Acquisition of held-for-trading investments during the period.
- (2) Trade and other receivables decreased mainly due to collection during the period.
- (3) Associates and jointly controlled entities decreased mainly due to repayment and dividends received.
- (4) Completed properties held for sale decreased mainly due to sales during the period.
- (5) Investments increased mainly due to acquisition during the period and change in fair value by reference to the market prices as at Sep 30, 2018, which was taken to profit or loss.
- (6) Short-term borrowings increased mainly due to reclassification of secured long-term borrowings due in 2019. This has resulted in a negative working capital as at Sep 30, 2018. Most of these borrowings are capable of being refinanced.
- (7) Long-term borrowings decreased mainly due to repayment during the period and reclassification to short-term borrowings.

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

As at Sep 30, 2018		As at Dec 31, 2017	
Secured	Unsecured	Secured	Unsecured
\$239,317,000	\$49,963,000	\$119,998,000	\$74,993,000

**Amount repayable after one year**

As at Sep 30, 2018		As at Dec 31, 2017	
Secured	Unsecured	Secured	Unsecured
\$153,374,000	\$200,382,000	\$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 Sep 30, 2018 \$'000	Quarter ended Sep 30, 2017 \$'000
<b>Cash flows from operating activities:</b>		
(Loss) Profit before income tax and share of results of associates and jointly controlled entities	(989)	17,928
Adjustments for:		
Amortisation of intangible assets	60	84
Depreciation expense	16,129	13,679
Share-based payment expense	254	560
Fair value gain in held-for-trading investments	(227)	-
Fair value loss in investments	9,922	-
Finance costs	7,018	7,153
Interest income	(420)	(255)
Dividend income	(214)	-
Profit before working capital changes	31,533	39,149
Trade and other payables	27,715	11,152
Completed properties held for sale	-	30,025
Receivables and prepayments	10,894	61,576
Held-for-trading investments	(21,950)	-
Inventories	353	(208)
Cash generated from operations	48,545	141,694
Dividend received	214	-
Income tax paid	(8,916)	(5,253)
Net cash from operating activities	39,843	136,441
<b>Cash flows from (used in) investing activities:</b>		
Additional property, plant and equipment	(34,286)	(66,288)
Return of capital from investments (Additional investments)	2,208	(3,074)
Net repayment from (investment in) associates and jointly controlled entities	34,755	(106,682)
Proceeds from disposal of property, plant and equipment	210	119
Net cash from (used in) investing activities	2,887	(175,925)
<b>Cash flows (used in) from financing activities:</b>		
Interest received	420	255
Finance costs paid	(7,294)	(6,973)
Non-controlling shareholders	4,062	5,125
Additional borrowings	9,460	189,061
Repayment of borrowings	(148,721)	(30,774)
Increase in deposits under pledge to bank	-	(692)
Net cash (used in) from financing activities	(142,073)	156,002
Net (decrease) increase in cash and cash equivalents	(99,343)	116,518
Cash and cash equivalents at beginning of period	186,288	90,432
Effect of exchange rate changes on cash balances held in foreign currencies	(211)	(1,158)
Cash and cash equivalents at end of period	86,734	205,792

**Cash and cash equivalents at end of period**

The cash and cash equivalents as at Sep 30, 2018, for the purposes of Consolidated Statement of Cash Flows, comprise of cash and bank balances less deposits under pledge to banks of \$4,302,000.

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
<b>GROUP</b>								
Balance as at Jul 1, 2017	721,143	944,489	128,954	1,794,586	148,753	1,943,339	89,058	2,032,397
Effect of adoption of SFRS(l)	-	134,211	(134,211)	-	-	-	-	-
Balance as at Jul 1, 2017, as restated	721,143	1,078,700	(5,257)	1,794,586	148,753	1,943,339	89,058	2,032,397
Total comprehensive income (loss) for the period								
Profit (Loss) for the period	-	42,226	-	42,226	-	42,226	(214)	42,012
Other comprehensive income (loss) for the period	-	-	2,619	2,619	-	2,619	(886)	1,733
Total	-	42,226	2,619	44,845	-	44,845	(1,100)	43,745
Transactions with owners, recognised directly in equity								
Recognition of share-based payments	-	-	560	560	-	560	-	560
Net movement during the period	-	-	-	-	-	-	4,683	4,683
Total	-	-	560	560	-	560	4,683	5,243
<b>Balance as at Sep 30, 2017</b>	<b>721,143</b>	<b>1,120,926</b>	<b>(2,078)</b>	<b>1,839,991</b>	<b>148,753</b>	<b>1,988,744</b>	<b>92,641</b>	<b>2,081,385</b>
Balance as at Jul 1, 2018	722,593	1,264,219	(16,321)	1,970,491	148,753	2,119,244	103,040	2,222,284
Total comprehensive income (loss) for the period								
Profit (Loss) for the period	-	21,923	-	21,923	-	21,923	(1,485)	20,438
Other comprehensive income (loss) for the period	-	-	5,874	5,874	-	5,874	(112)	5,762
Total	-	21,923	5,874	27,797	-	27,797	(1,597)	26,200
Transactions with owners, recognised directly in equity								
Recognition of share-based payments	-	-	254	254	-	254	-	254
Net movement during the period	-	-	-	-	-	-	4,397	4,397
Total	-	-	254	254	-	254	4,397	4,651
<b>Balance as at Sep 30, 2018</b>	<b>722,593</b>	<b>1,286,142</b>	<b>(10,193)</b>	<b>1,998,542</b>	<b>148,753</b>	<b>2,147,295</b>	<b>105,840</b>	<b>2,253,135</b>

\* 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	Share-holders' equity \$'000	Perpetual capital securities \$'000	Total equity \$'000
<b>COMPANY</b>						
Balance as at Jul 1, 2017	721,143	7,735	121,356	850,234	148,753	998,987
Effect of adoption of SFRS(l)	-	110,785	(110,785)	-	-	-
Balance as at Jul 1, 2017, as restated	721,143	118,520	10,571	850,234	148,753	998,987
Total comprehensive income (loss) for the period						
Loss for the period	-	(2,164)	-	(2,164)	-	(2,164)
Other comprehensive income for the period	-	-	83	83	-	83
Total	-	(2,164)	83	(2,081)	-	(2,081)
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	-	-	560	560	-	560
Total	-	-	560	560	-	560
<b>Balance as at Sep 30, 2017</b>	<b>721,143</b>	<b>116,356</b>	<b>11,214</b>	<b>848,713</b>	<b>148,753</b>	<b>997,466</b>
Balance as at Jul 1, 2018	722,593	115,665	10,491	848,749	148,753	997,502
Total comprehensive income for the period						
Profit for the period	-	171	-	171	-	171
Other comprehensive income for the period	-	-	182	182	-	182
Total	-	171	182	353	-	353
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	-	-	254	254	-	254
Total	-	-	254	254	-	254
<b>Balance as at Sep 30, 2018</b>	<b>722,593</b>	<b>115,836</b>	<b>10,927</b>	<b>849,356</b>	<b>148,753</b>	<b>998,109</b>

\*\* 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 Sep 30, 2018, the number of outstanding share options under the Company's Share Option Scheme was 14,225,000 (as at Sep 30, 2017: 15,445,000), and the number of outstanding performance shares under the Company's Performance Share Plan was 703,800 (as at Sep 30, 2017: 1,055,700).

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

	Sep 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 Sep 30, 2018	Quarter ended Sep 30, 2017
Based on the weighted average number of ordinary shares in issue	3.87 cents	7.78 cents
On a fully diluted basis	3.86 cents	7.76 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**

	Sep 30, 2018	Dec 31, 2017
GROUP	\$3.84	\$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 third quarter ended September 30, 2018, the Group recorded a revenue of \$129.5 million compared to \$165.1 million for the corresponding quarter last year. The decrease was mainly attributable to lower contributions from the property division as the remaining completed condominium units at Tomlinson Heights development were fully sold earlier this year resulting in a corresponding decrease in cash generated from operations. This was offset by a slight increase from the hotel division mainly due to contributions from new subsidiaries, Hard Rock Hotel Penang and The Boathouse, Phuket.

The Group's share of results of associates and jointly controlled entities decreased from \$29.6 million to \$22.1 million mainly due to lower profits from Burlington Gate, London.

Group net profit attributable to shareholders for the quarter ended September 30, 2018 was \$21.9 million compared to \$42.2 million reported for the third 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 hospitality industry generally performs well in the last quarter of the year. However, the ongoing trade conflicts between US and China as well as the tightening of the global financial market as a result of rising interest rates continue to pose uncertainties.

On the property front, the Group will continue to book profits from sale of remaining units in the Burlington Gate and Holland Park Villas developments in London amidst Brexit uncertainties.

**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 third 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  
November 13, 2018