



HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

First Quarter Financial Statements

1(a)(i) Income Statement

	GROUP \$'000	
	Quarter ended Mar 31, 2019	Quarter ended Mar 31, 2018
Revenue	152,225	173,382
Cost of sales	(105,865)	(117,973)
Gross profit	46,360	55,409
Other operating income	2,210	15,548
Administrative expenses	(16,436)	(17,940)
Other operating expenses	(4,236)	(362)
Finance costs ⁽¹⁾	(9,034)	(6,810)
Share of results of associates and jointly controlled entities	4,411	66,664
Profit before income tax	23,275	112,509
Income tax expense	(5,837)	(19,664)
Profit after income tax	17,438	92,845
Attributable to:		
Shareholders of the Company	13,611	87,484
Non-controlling interests	3,827	5,361
	17,438	92,845

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

	GROUP \$'000	
	Quarter ended Mar 31, 2019	Quarter ended Mar 31, 2018
Investment income*	128	261
Other income including interest income* ⁽²⁾	399	2,241
Depreciation and amortisation ⁽³⁾	(17,014)	(14,692)
Net allowance for doubtful trade receivables written back*	5	-
Net fair value gain in held-for-trading investments*	1,441	-
Net fair value (loss) gain in investments*	(3,537)	12,259
Net foreign exchange gain*	229	626
Net gain on disposal of property, plant and equipment*	8	156

Note:

- (1) Includes finance costs on lease liabilities arising from adoption of SFRS(I) 16 Leases.
 - (2) Other income including interest income decreased mainly due to a non-recurring income received in Q1 2018.
 - (3) Includes depreciation of right-of-use (ROU) assets arising from adoption of SFRS(I) 16.
- * Included in other operating income (expenses).

1(a)(iii) Statement of Comprehensive Income

	GROUP \$'000	
	Quarter ended Mar 31, 2019	Quarter ended Mar 31, 2018
Profit after income tax	17,438	92,845
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	1,623	(2,103)
Increase in other reserves	32	-
Share of other comprehensive income of associates and jointly controlled entities	5,129	8,333
	6,784	6,230
Total comprehensive income	24,222	99,075
Attributable to:		
Shareholders of the Company	20,677	94,342
Non-controlling interests	3,545	4,733
	24,222	99,075

1(b)(i) Statements of Financial Position

	GROUP \$'000		COMPANY \$'000	
	Mar 31, 2019	Dec 31, 2018	Mar 31, 2019	Dec 31, 2018
ASSETS				
Current assets:				
Cash and bank balances	130,634	118,284	29,057	51,296
Held-for-trading investments	29,056	24,103	-	-
Trade and other receivables	36,725	40,210	3,310	2,692
Amount due from associates and jointly controlled entities	118,440	118,200	5,217	5,217
Amount due from subsidiaries	-	-	806,500	779,013
Inventories	8,942	9,612	174	178
Completed properties held for sale	9,851	10,505	-	-
Total current assets	333,648	320,914	844,258	838,396
Non-current assets:				
Associates and jointly controlled entities	504,250	519,166	-	-
Subsidiaries	-	-	481,923	528,985
Investments	124,866	128,163	-	-
Property, plant and equipment ⁽¹⁾	1,507,065	1,446,067	223,519	224,396
Investment properties	705,570	705,570	-	-
Derivative financial instruments	14,400	16,245	14,400	16,245
Deferred tax assets	3,434	3,391	-	-
Intangible assets	15,359	15,410	-	-
Total non-current assets	2,874,944	2,834,012	719,842	769,626
Total assets	3,208,592	3,154,926	1,564,100	1,608,022
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	118,962	95,663	49,991	49,986
Trade and other payables	120,742	150,186	17,933	29,736
Amount due to subsidiaries	-	-	44,456	44,456
Income tax payable	18,423	18,736	833	14
Total current liabilities	258,127	264,585	113,213	124,192
Non-current liabilities:				
Advances from subsidiaries	-	-	122,949	93,031
Long-term borrowings	601,890	616,743	269,072	332,706
Long-term lease liabilities ⁽²⁾	80,572	-	-	-
Deferred tax liabilities	16,906	17,330	713	767
Total non-current liabilities	699,368	634,073	392,734	426,504
Share capital and reserves:				
Share capital	724,043	722,593	724,043	722,593
Reserves	1,275,657	1,278,765	185,357	185,980
Equity attributable to shareholders of the Company	1,999,700	2,001,358	909,400	908,573
Perpetual capital securities	148,753	148,753	148,753	148,753
	2,148,453	2,150,111	1,058,153	1,057,326
Non-controlling interests	102,644	106,157	-	-
Total equity	2,251,097	2,256,268	1,058,153	1,057,326
Total liabilities and equity	3,208,592	3,154,926	1,564,100	1,608,022

Note:

- (1) Includes ROU assets recognised arising from adoption of SFRS(I) 16.
- (2) Long-term lease liabilities recognised arising from adoption of SFRS(I) 16.

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

As at Mar 31, 2019		As at Dec 31, 2018	
Secured	Unsecured	Secured	Unsecured
\$68,971,000	\$49,991,000	\$45,677,000	\$49,986,000

Amount repayable after one year

As at Mar 31, 2019		As at Dec 31, 2018	
Secured	Unsecured	Secured	Unsecured
\$401,316,000	\$200,574,000	\$416,341,000	\$200,402,000

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 Mar 31, 2019 \$'000	Quarter ended Mar 31, 2018 \$'000
Cash flows from operating activities:		
Profit before income tax and share of results of associates and jointly controlled entities	18,864	45,845
Adjustments for:		
Amortisation of intangible assets	61	94
Depreciation expense	16,953	14,598
Share-based payment expense	200	409
Net fair value gain in held-for-trading investments	(1,441)	-
Net fair value loss (gain) in investments	3,537	(12,259)
Net gain on disposal of property, plant and equipment	(8)	(156)
Finance costs	9,034	6,810
Interest income	(311)	(395)
Dividend income	(128)	(261)
Profit before working capital changes	46,761	54,685
Trade and other payables	(28,189)	(20,339)
Completed properties held for sale	818	16,023
Trade and other receivables	(193)	175
Held-for-trading investments	(3,512)	-
Inventories	648	716
Cash generated from operations	16,333	51,260
Dividend received	128	261
Income tax paid	(6,578)	(3,159)
Net cash from operating activities	9,883	48,362
Cash flows from investing activities:		
Additional property, plant and equipment	(21,372)	(18,693)
Additional investments	(225)	(287)
Net repayment from associates and jointly controlled entities	22,174	206,930
Proceeds from disposal of property, plant and equipment	140	363
Net cash from investing activities	717	188,313
Cash flows from (used in) financing activities:		
Interest received	311	395
Finance costs paid	(7,809)	(7,624)
Repayment of lease liabilities	(1,363)	-
Non-controlling shareholders	1,495	1,461
Additional borrowings	95,993	34,174
Repayment of borrowings	(86,432)	(262,850)
Net cash from (used in) financing activities	2,195	(234,444)
Net increase in cash and cash equivalents	12,795	2,231
Cash and cash equivalents at beginning of period	113,992	207,597
Effect of exchange rate changes on cash balances held in foreign currencies	(421)	(796)
Cash and cash equivalents at end of period	126,366	209,032

Cash and cash equivalents at end of period

The cash and cash equivalents as at Mar 31, 2019, for the purposes of Consolidated Statement of Cash Flows, comprise of cash and bank balances less deposits under pledge to banks of \$4,268,000.

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 Jan 1, 2018	721,143	1,234,307	(14,668)	1,940,782	148,753	2,089,535	95,208	2,184,743
Total comprehensive income (loss) for the period								
Profit for the period	-	87,484	-	87,484	-	87,484	5,361	92,845
Other comprehensive income (loss) for the period	-	-	6,858	6,858	-	6,858	(628)	6,230
Total	-	87,484	6,858	94,342	-	94,342	4,733	99,075
Transactions with owners, recognised directly in equity								
Recognition of share-based payments	-	-	409	409	-	409	-	409
Net movement during the year	-	-	-	-	-	-	775	775
Issue of shares	1,450	-	(1,450)	-	-	-	-	-
Total	1,450	-	(1,041)	409	-	409	775	1,184
Balance as at Mar 31, 2018	722,593	1,321,791	(8,851)	2,035,533	148,753	2,184,286	100,716	2,285,002
Balance as at Jan 1, 2019	722,593	1,296,792	(18,027)	2,001,358	148,753	2,150,111	106,157	2,256,268
Effect of adoption of SFRS(I) 16	-	(22,535)	-	(22,535)	-	(22,535)	(8,290)	(30,825)
Balance as at Jan 1, 2019, as restated	722,593	1,274,257	(18,027)	1,978,823	148,753	2,127,576	97,867	2,225,443
Total comprehensive income (loss) for the period								
Profit for the period	-	13,611	-	13,611	-	13,611	3,827	17,438
Other comprehensive income (loss) for the period	-	-	7,066	7,066	-	7,066	(282)	6,784
Total	-	13,611	7,066	20,677	-	20,677	3,545	24,222
Transactions with owners, recognised directly in equity								
Recognition of share-based payments	-	-	200	200	-	200	-	200
Net movement during the year	-	-	-	-	-	-	1,232	1,232
Issue of shares	1,450	-	(1,450)	-	-	-	-	-
Total	1,450	-	(1,250)	200	-	200	1,232	1,432
Balance as at Mar 31, 2019	724,043	1,287,868	(12,211)	1,999,700	148,753	2,148,453	102,644	2,251,097

* Includes 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 Jan 1, 2018	721,143	174,982	11,520	907,645	148,753	1,056,398
Total comprehensive income (loss) for the period						
Loss for the period	-	(2,416)	-	(2,416)	-	(2,416)
Other comprehensive income for the period	-	-	30	30	-	30
Total	-	(2,416)	30	(2,386)	-	(2,386)
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	-	-	409	409	-	409
Issue of shares	1,450	-	(1,450)	-	-	-
Total	1,450	-	(1,041)	409	-	409
Balance as at Mar 31, 2018	722,593	172,566	10,509	905,668	148,753	1,054,421
Balance as at Jan 1, 2019	722,593	174,673	11,307	908,573	148,753	1,057,326
Total comprehensive income (loss) for the period						
Profit for the period	-	787	-	787	-	787
Other comprehensive loss for the period	-	-	(160)	(160)	-	(160)
Total	-	787	(160)	627	-	627
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	-	-	200	200	-	200
Issue of shares	1,450	-	(1,450)	-	-	-
Total	1,450	-	(1,250)	200	-	200
Balance as at Mar 31, 2019	724,043	175,460	9,897	909,400	148,753	1,058,153

** Includes hedge reserve and option reserve.

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

The Company issued 351,900 new ordinary shares for the current quarter under review upon vesting of performance shares granted in conjunction with the Hotel Properties Limited Performance Share Plan.

The newly issued shares rank pari passu in all respects with the existing shares of the Company.

As at Mar 31, 2019, the number of outstanding share options under the Company's Share Option Scheme was 14,225,000 (as at Mar 31, 2018: 14,225,000), and the number of outstanding performance shares under the Company's Performance Share Plan was 351,900 (as at Mar 31, 2018: 703,800).

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

	Mar 31, 2019	Dec 31, 2018
Total number of issued shares excluding treasury shares	521,138,351	520,786,451

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 SFRS(I) 16 *Leases* that is effective for annual periods beginning on or after January 1, 2019. The adoption of SFRS(I) 16 has resulted in a change in the Group's accounting policy on its operating lease arrangements. The Group applied the modified retrospective approach and recognised ROU assets with corresponding lease liabilities under the principles of SFRS(I) 16 on a lease-by-lease basis. The cumulative effect of adopting SFRS(I) 16 is recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information. ROU assets are included as part of the property, plant and equipment with the corresponding current and non-current lease liabilities included in other payables and long-term lease liabilities respectively. Straight-line operating lease expenses are replaced with depreciation charge of ROU assets and finance costs on lease liabilities in the income statement.

6. Earnings Per Ordinary Share

	Quarter ended Mar 31, 2019	Quarter ended Mar 31, 2018
Based on the weighted average number of ordinary shares in issue	2.28 cents	16.47 cents
On a fully diluted basis	2.27 cents	16.43 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

	Mar 31, 2019	Dec 31, 2018
GROUP	\$3.84	\$3.84
COMPANY	\$1.75	\$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 first quarter ended March 31, 2019, the Group recorded a revenue of \$152.2 million compared to \$173.4 million for the corresponding quarter last year. The decrease was mainly attributable to lower contribution from the property division as the remaining completed condominium units at Tomlinson Heights development were fully sold last year.

The Group's share of results of associates and jointly controlled entities decreased from \$66.7 million for Q1 2018 to \$4.4 million for Q1 2019 mainly due to lower profit from Holland Park Villas development in London.

Group profit before income tax for the quarter ended March 31, 2019 was \$23.3 million compared to \$112.5 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 March 31, 2019 was \$13.6 million compared to \$87.5 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.

Looking ahead, business environment continues to be challenging with uncertainties stemming from escalating trade tensions between United States of America and China and a possible disorderly Brexit. Geopolitical risk also remains in certain regions that the Group operates in.

Nevertheless, the Group's geographically diversified portfolio of hotels and resorts are expected to continue to provide a stable income stream while development of Paddington Square and Bankside Yards in London progresses.

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 and the reason(s) for the decision

It is not the Company's practice to declare/recommend an interim dividend.

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 first quarter 2019 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
May 14, 2019