



HOTEL PROPERTIES LIMITED

(REG. NO. 19800348Z)

Third Quarter Financial Statements

1(a)(i) Income Statement

	GROUP \$'000	
	Quarter ended Sep 30, 2019	Quarter ended Sep 30, 2018
Revenue	133,601	129,542
Cost of sales	(105,490)	(101,599)
Gross profit	28,111	27,943
Other operating income	9,207	6,067
Administrative expenses	(16,883)	(16,051)
Other operating expenses	(14,528)	(11,930)
Finance costs ⁽¹⁾	(10,264)	(7,018)
Share of results of associates and jointly controlled entities	9,996	22,139
Profit before income tax	5,639	21,150
Income tax expense	(8,045)	(712)
(Loss) Profit after income tax	(2,406)	20,438
Attributable to:		
Shareholders of the Company	1,856	21,923
Non-controlling interests	(4,262)	(1,485)
	(2,406)	20,438

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

	GROUP \$'000	
	Quarter ended Sep 30, 2019	Quarter ended Sep 30, 2018
Investment income*	135	214
Other income including interest income* ⁽²⁾	7,226	5,289
Depreciation and amortisation ⁽³⁾	(18,683)	(16,189)
Net allowance for doubtful trade receivables*	(22)	-
Net fair value gain in held-for-trading investments*	1,846	227
Net fair value loss in investments*	(10,498)	(9,922)
Net foreign exchange (loss) gain*	(921)	333
Net adjustment for (under) over provision of tax in respect of prior years	(1,339)	2,445
Net loss on disposal of property, plant and equipment*	(20)	-

Note:

- (1) Includes finance costs on lease liabilities arising from adoption of SFRS(I) 16 Leases.
 - (2) Other income including interest income increased mainly due to a non-recurring income.
 - (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 Sep 30, 2019	Quarter ended Sep 30, 2018
(Loss) Profit after income tax	(2,406)	20,438
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	12,598	6,515
Decrease in other reserves	(6)	-
Share of other comprehensive loss of associates and jointly controlled entities	(2,834)	(753)
	9,758	5,762
Total comprehensive income	7,352	26,200
Attributable to:		
Shareholders of the Company	10,859	27,797
Non-controlling interests	(3,507)	(1,597)
	7,352	26,200

1(b)(i) Statements of Financial Position

	GROUP \$'000		COMPANY \$'000	
	Sep 30, 2019	Dec 31, 2018	Sep 30, 2019	Dec 31, 2018
ASSETS				
Current assets:				
Cash and bank balances	87,987	118,284	7,697	51,296
Held-for-trading investments	28,946	24,103	-	-
Trade and other receivables	99,481	40,210	18,749	2,692
Amount due from associates and jointly controlled entities	114,138	118,200	5,217	5,217
Amount due from subsidiaries	-	-	916,899	779,013
Inventories	10,577	9,612	153	178
Completed properties held for sale	10,449	10,505	-	-
Derivative financial instruments ⁽¹⁾	7,991	-	7,991	-
Total current assets	359,569	320,914	956,706	838,396
Non-current assets:				
Associates and jointly controlled entities	536,557	519,166	-	-
Subsidiaries	-	-	518,811	528,985
Investments ⁽²⁾	172,861	128,163	-	-
Property, plant and equipment ⁽³⁾	1,630,759	1,446,067	223,657	224,396
Investment properties	705,570	705,570	-	-
Derivative financial instruments ⁽¹⁾	9,823	16,245	9,823	16,245
Deferred tax assets	3,520	3,391	-	-
Intangible assets	20,840	15,410	-	-
Total non-current assets	3,079,930	2,834,012	752,291	769,626
Total assets	3,439,499	3,154,926	1,708,997	1,608,022
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings ⁽⁴⁾	257,052	95,663	99,975	49,986
Trade and other payables	156,723	150,186	19,997	29,736
Amount due to subsidiaries	-	-	40,972	44,456
Income tax payable	13,295	18,736	1,962	14
Total current liabilities	427,070	264,585	162,906	124,192
Non-current liabilities:				
Advances from subsidiaries	-	-	371,743	93,031
Long-term borrowings	700,375	616,743	170,346	332,706
Long-term lease liabilities ⁽⁵⁾	83,569	-	-	-
Deferred tax liabilities	22,586	17,330	648	767
Total non-current liabilities	806,530	634,073	542,737	426,504
Share capital and reserves:				
Share capital	724,043	722,593	724,043	722,593
Reserves	1,232,533	1,278,765	130,558	185,980
Equity attributable to shareholders of the Company	1,956,576	2,001,358	854,601	908,573
Perpetual capital securities	148,753	148,753	148,753	148,753
	2,105,329	2,150,111	1,003,354	1,057,326
Non-controlling interests	100,570	106,157	-	-
Total equity	2,205,899	2,256,268	1,003,354	1,057,326
Total liabilities and equity	3,439,499	3,154,926	1,708,997	1,608,022

Note:

- (1) Reclassification of amount maturing within 12 months.
- (2) Increase mainly due to acquisition during the period.
- (3) Includes ROU assets recognised arising from adoption of SFRS(I) 16.
- (4) Short-term borrowings increased mainly due to reclassification of long-term borrowings due within 12 months. This has resulted in a negative working capital as at Sep 30, 2019 which is temporary, as most of these borrowings are capable of being refinanced. The Company has issued S\$160 million 4.4% subordinated perpetual securities in October 2019.
- (5) 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 Sep 30, 2019		As at Dec 31, 2018	
Secured	Unsecured	Secured	Unsecured
\$157,077,000	\$99,975,000	\$45,677,000	\$49,986,000

Amount repayable after one year

As at Sep 30, 2019		As at Dec 31, 2018	
Secured	Unsecured	Secured	Unsecured
\$599,887,000	\$100,488,000	\$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 Sep 30, 2019 \$'000	Quarter ended Sep 30, 2018 \$'000
Cash flows from operating activities:		
Loss before income tax and share of results of associates and jointly controlled entities	(4,357)	(989)
Adjustments for:		
Amortisation of intangible assets	71	60
Depreciation expense	18,612	16,129
Share-based payment expense	265	254
Net fair value gain in held-for-trading investments	(1,846)	(227)
Net fair value loss in investments	10,498	9,922
Net loss on disposal of property, plant and equipment	20	-
Finance costs	10,264	7,018
Interest income	(148)	(420)
Dividend income	(135)	(214)
Profit before working capital changes	33,244	31,533
Trade and other payables	29,532	27,715
Trade and other receivables	(4,272)	10,894
Held-for-trading investments	-	(21,950)
Inventories	(609)	353
Cash generated from operations	57,895	48,545
Dividend received	135	214
Income tax paid	(8,818)	(8,916)
Net cash from operating activities	49,212	39,843
Cash flows (used in) from investing activities:		
Additional property, plant and equipment	(28,333)	(34,286)
(Additional investments) Return of capital from investments (net)	(64,493)	2,208
Deposits placed for investments ⁽¹⁾	(25,126)	-
(Net investment in) Net repayment from associates and jointly controlled entities	(32,412)	34,755
Proceeds from disposal of property, plant and equipment	141	210
Net cash (used in) from investing activities	(150,223)	2,887
Cash flows from (used in) financing activities:		
Interest received	148	420
Finance costs paid	(9,023)	(7,294)
Repayment of lease liabilities	(147)	-
Non-controlling shareholders	4,260	4,062
Additional borrowings ⁽²⁾	157,626	9,460
Repayment of borrowings ⁽²⁾	(63,535)	(148,721)
Net cash from (used in) financing activities	89,329	(142,073)
Net decrease in cash and cash equivalents	(11,682)	(99,343)
Cash and cash equivalents at beginning of period	93,682	186,288
Effect of exchange rate changes on cash balances held in foreign currencies	1,626	(211)
Cash and cash equivalents at end of period	83,626	86,734

Note:

- (1) Included and contributed to the increase in Trade and other receivables in the Group Statement of Financial Position.
- (2) Net additional borrowings were utilised mainly for investing activities during the quarter under review.

Cash and cash equivalents at end of period

The cash and cash equivalents as at Sep 30, 2019, for the purposes of Consolidated Statement of Cash Flows, comprise of cash and bank balances less deposits under pledge to banks of \$4,361,000.

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 Jul 1, 2018	722,593	1,272,003	(14,603)	1,979,993	148,753	2,128,746	103,040	2,231,786
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
Balance as at Sep 30, 2018	722,593	1,293,926	(8,475)	2,008,044	148,753	2,156,797	105,840	2,262,637
Balance as at Jul 1, 2019	724,043	1,235,269	(13,860)	1,945,452	148,753	2,094,205	98,706	2,192,911
Total comprehensive income (loss) for the period								
Profit (Loss) for the period	-	1,856	-	1,856	-	1,856	(4,262)	(2,406)
Other comprehensive income for the period	-	-	9,003	9,003	-	9,003	755	9,758
Total	-	1,856	9,003	10,859	-	10,859	(3,507)	7,352
Transactions with owners, recognised directly in equity								
Recognition of share-based payments	-	-	265	265	-	265	-	265
Net movement during the period	-	-	-	-	-	-	5,371	5,371
Total	-	-	265	265	-	265	5,371	5,636
Balance as at Sep 30, 2019	724,043	1,237,125	(4,592)	1,956,576	148,753	2,105,329	100,570	2,205,899

* 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	Share- holders' equity \$'000	Perpetual capital securities \$'000	Total equity \$'000
COMPANY						
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
Balance as at Sep 30, 2018	722,593	115,836	10,927	849,356	148,753	998,109
Balance as at Jul 1, 2019	724,043	120,142	10,127	854,312	148,753	1,003,065
Total comprehensive income (loss) for the period						
Loss for the period	-	(173)	-	(173)	-	(173)
Other comprehensive income for the period	-	-	197	197	-	197
Total	-	(173)	197	24	-	24
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	-	-	265	265	-	265
Total	-	-	265	265	-	265
Balance as at Sep 30, 2019	724,043	119,969	10,589	854,601	148,753	1,003,354

** Includes 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, 2019, the number of outstanding share options under the Company's Share Option Scheme was 18,900,000 (as at Sep 30, 2018: 14,225,000), and the number of outstanding performance shares under the Company's Performance Share Plan was 351,900 (as at Sep 30, 2018: 703,800).

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

	Sep 30, 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 Sep 30, 2019	Quarter ended Sep 30, 2018
Based on the weighted average number of ordinary shares in issue	0.02 cents	3.87 cents
On a fully diluted basis	0.02 cents	3.86 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, 2019	Dec 31, 2018
GROUP	\$3.75	\$3.84
COMPANY	\$1.64	\$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

The Group recorded a revenue of \$133.6 million for the third quarter ended September 30, 2019, a marginal increase over Group revenue of \$129.5 million for the corresponding quarter last year. The Group's resorts in Bali, Indonesia, performed well during the quarter under review, contributing to the increase, which was partially offset by lower revenue from the resorts in the Maldives, mainly due to ongoing refurbishment of the water villas in Four Seasons Resort Maldives at Landaa Giraavaru.

The Group's share of results of associates and jointly controlled entities decreased from \$22.1 million to \$10.0 million mainly due to lower profits from Burlington Gate, London.

Group profit before income tax for the quarter under review was \$5.6 million compared to \$21.2 million for the corresponding quarter last year. After taking into account income tax and non-controlling interests, Group net profit attributable to shareholders for the quarter ended September 30, 2019 was \$1.9 million compared to \$21.9 million reported for the third quarter last year. Net cash from operating activities for the quarter under review, however, remains strong at \$49.2 million compared to \$39.8 million 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.

Rising trade and geopolitical tensions have taken a toll on business confidence and global trade. Amid the uncertainties, the Group's geographically diversified portfolio of hotels and resorts continue to be resilient. Barring unforeseen circumstances, the last quarter of the year being the traditional holiday season bodes well for the hospitality industry.

In London, the Group will continue to market the remaining apartment units in the Burlington Gate and Holland Park Villas while the development of Paddington Square and Bankside Yards is in progress.

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 third 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
November 13, 2019