



HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

Half Year Financial Statements

1(a)(i) Income Statement

| | GROUP \$'000 | |
|--|---|---|
| | Half year ended Jun 30, 2020 | Half year ended Jun 30, 2019 |
| Revenue | 144,763 | 277,151 |
| Cost of sales | (148,436) | (205,351) |
| Gross (loss) profit | (3,673) | 71,800 |
| Other operating income | 1,588 | 12,789 |
| Administrative expenses | (27,275) | (32,679) |
| Other operating expenses | (36,193) | (13,650) |
| Finance costs | (16,480) | (19,051) |
| Share of results of associates and jointly controlled entities | 4,229 | 15,511 |
| (Loss) Profit before income tax | (77,804) | 34,720 |
| Income tax expense | (1,178) | (15,794) |
| (Loss) Profit after income tax | (78,982) | 18,926 |
| Attributable to: | | |
| Shareholders of the Company | (71,773) | 16,585 |
| Non-controlling interests | (7,209) | 2,341 |
| | (78,982) | 18,926 |

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

| | GROUP \$'000 | |
|--|---|---|
| | Half year ended Jun 30, 2020 | Half year ended Jun 30, 2019 |
| Investment income* | 453 | 1,512 |
| Other income including interest income* ⁽¹⁾ | 1,135 | 9,373 |
| Depreciation and amortisation** | (39,975) | (35,277) |
| Net allowance for doubtful trade receivables* | (110) | (39) |
| Net fair value loss in held-for-trading investments* | (396) | (137) |
| Net fair value loss in investments* | (33,788) | (9,554) |
| Net foreign exchange loss* | (111) | (119) |
| Net adjustment for over (under) provision of tax in respect of prior years | 1,157 | (5,214) |
| Net (loss) gain on disposal of property, plant and equipment* | (17) | 229 |

Note:

- (1) Other income including interest income decreased mainly due to non-recurring income received in 1H 2019.
- * Included in Other operating income (expenses).
- ** Included in Cost of sales.

1(a)(iii) Statement of Comprehensive Income

| | GROUP \$'000 | |
|--|---------------------------------|---------------------------------|
| | Half year ended Jun 30, 2020 | Half year ended Jun 30, 2019 |
| (Loss) Profit after income tax | (78,982) | 18,926 |
| Other comprehensive income (loss) (net of tax): | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | |
| Decrease in other reserves | (216) | - |
| | (216) | - |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Exchange differences on translating foreign operations | 9,125 | 9,497 |
| Increase in other reserves | 694 | 42 |
| Share of other comprehensive loss of associates and jointly controlled entities | (12,302) | (862) |
| | (2,483) | 8,677 |
| Total comprehensive (loss) income | (81,681) | 27,603 |
| Attributable to: | | |
| Shareholders of the Company | (74,560) | 25,505 |
| Non-controlling interests | (7,121) | 2,098 |
| | (81,681) | 27,603 |

1(b)(i) Statements of Financial Position

| | GROUP \$'000 | | COMPANY \$'000 | |
|---|------------------|------------------|-------------------|------------------|
| | Jun 30, 2020 | Dec 31, 2019 | Jun 30, 2020 | Dec 31, 2019 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and bank balances | 111,257 | 192,257 | 8,188 | 102,726 |
| Held-for-trading investments | 2,687 | 3,218 | - | - |
| Trade and other receivables | 62,570 | 64,716 | 19,361 | 17,088 |
| Amount due from associates and jointly controlled entities ⁽¹⁾ | 164,614 | 117,279 | 5,217 | 5,217 |
| Amount due from subsidiaries | - | - | 1,026,189 | 915,144 |
| Inventories | 12,993 | 12,475 | 126 | 147 |
| Completed properties held for sale | 9,558 | 10,424 | - | - |
| Derivative financial instruments | 9,584 | 6,159 | 9,584 | 6,159 |
| Total current assets | 373,263 | 406,528 | 1,068,665 | 1,046,481 |
| Non-current assets: | | | | |
| Associates and jointly controlled entities | 555,653 | 546,922 | - | - |
| Subsidiaries | - | - | 559,077 | 561,372 |
| Investments | 195,460 | 206,455 | - | - |
| Property, plant and equipment | 1,632,700 | 1,627,271 | 221,177 | 223,049 |
| Investment properties | 709,515 | 709,515 | - | - |
| Derivative financial instruments ⁽²⁾ | - | 8,020 | - | 8,020 |
| Deferred tax assets | 3,485 | 3,283 | - | - |
| Intangible assets | 20,906 | 21,017 | - | - |
| Total non-current assets | 3,117,719 | 3,122,483 | 780,254 | 792,441 |
| Total assets | 3,490,982 | 3,529,011 | 1,848,919 | 1,838,922 |
| | | | | |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | 225,037 | 156,606 | 99,961 | 99,988 |
| Trade and other payables | 96,682 | 144,923 | 9,811 | 20,217 |
| Amount due to subsidiaries | - | - | 41,478 | 40,800 |
| Income tax payable | 16,485 | 15,233 | 1,925 | 1,925 |
| Total current liabilities | 338,204 | 316,762 | 153,175 | 162,930 |
| Non-current liabilities: | | | | |
| Advances from subsidiaries | - | - | 286,938 | 282,356 |
| Long-term borrowings | 764,952 | 700,037 | 237,136 | 168,498 |
| Long-term lease liabilities | 98,304 | 92,962 | - | - |
| Deferred tax liabilities | 18,261 | 20,387 | 579 | 644 |
| Total non-current liabilities | 881,517 | 813,386 | 524,653 | 451,498 |
| Share capital and reserves: | | | | |
| Share capital | 725,493 | 724,043 | 725,493 | 724,043 |
| Treasury shares ⁽³⁾ | (1,746) | (841) | (1,746) | (841) |
| Reserves | 1,144,306 | 1,268,564 | 139,378 | 193,326 |
| Equity attributable to shareholders of the Company | 1,868,053 | 1,991,766 | 863,125 | 916,528 |
| Perpetual capital securities | 307,966 | 307,966 | 307,966 | 307,966 |
| | 2,176,019 | 2,299,732 | 1,171,091 | 1,224,494 |
| Non-controlling interests | 95,242 | 99,131 | - | - |
| Total equity | 2,271,261 | 2,398,863 | 1,171,091 | 1,224,494 |
| Total liabilities and equity | 3,490,982 | 3,529,011 | 1,848,919 | 1,838,922 |

Note:

- (1) Increase due to additional amount advanced during the period.
- (2) Reclassification of amount maturing within 12 months.
- (3) Increase due to treasury shares purchased 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, 2020 | | As at Dec 31, 2019 | |
|--------------------|--------------|--------------------|--------------|
| Secured | Unsecured | Secured | Unsecured |
| \$125,076,000 | \$99,961,000 | \$56,618,000 | \$99,988,000 |

Amount repayable after one year

| As at Jun 30, 2020 | | As at Dec 31, 2019 | |
|--------------------|---------------|--------------------|---------------|
| Secured | Unsecured | Secured | Unsecured |
| \$594,264,000 | \$170,688,000 | \$599,542,000 | \$100,495,000 |

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

| | Half year ended Jun 30, 2020 \$'000 | Half year ended Jun 30, 2019 \$'000 |
|--|---|---|
| Cash flows from operating activities: | | |
| (Loss) Profit before income tax and share of results of associates and jointly controlled entities | (82,033) | 19,209 |
| Adjustments for: | | |
| Amortisation of intangible assets | 133 | 122 |
| Depreciation expense | 39,842 | 35,155 |
| Share-based payment expense | 417 | 469 |
| Net fair value loss in held-for-trading investments | 396 | 137 |
| Net fair value loss in investments | 33,788 | 9,554 |
| Net loss (gain) on disposal of property, plant and equipment | 17 | (229) |
| Finance costs | 16,480 | 19,051 |
| Interest income | (923) | (544) |
| Dividend income | (453) | (1,512) |
| Profit before working capital changes | 7,664 | 81,412 |
| Trade and other payables | (47,797) | (36,206) |
| Completed properties held for sale | 863 | 818 |
| Trade and other receivables | 3,270 | (16,986) |
| Held-for-trading investments | 135 | (3,134) |
| Inventories | (185) | (48) |
| Cash (used in) generated from operations | (36,050) | 25,856 |
| Dividend received | 453 | 1,512 |
| Income tax paid | (2,451) | (21,378) |
| Net cash (used in) from operating activities | (38,048) | 5,990 |
| Cash flows used in investing activities: | | |
| Acquisition of interest in a subsidiary (see Note A below) | - | (31,300) |
| Acquisition of additional interest in a subsidiary | - | (7,000) |
| Additional property, plant and equipment | (21,390) | (49,520) |
| Net additional investments | (19,587) | (186) |
| Deposits placed for investments | - | (14,056) |
| (Net investment in) receipts from associates and jointly controlled entities | (61,111) | 41,468 |
| Proceeds from disposal of investments | 217 | - |
| Proceeds from disposal of property, plant and equipment | 241 | 534 |
| Net cash used in investing activities | (101,630) | (60,060) |
| Cash flows from financing activities: | | |
| Interest received | 923 | 544 |
| Finance costs paid | (17,044) | (19,012) |
| Repayment of lease liabilities | (501) | (556) |
| Dividend paid | (41,678) | (52,114) |
| Distribution to perpetual capital securities holders | (6,987) | (3,459) |
| Net receipts from non-controlling shareholders | 823 | 2,285 |
| Additional borrowings ⁽¹⁾ | 372,453 | 206,693 |
| Repayment of borrowings ⁽¹⁾ | (249,891) | (100,059) |
| Purchase of treasury shares | (905) | - |
| Net cash from financing activities | 57,193 | 34,322 |
| Net decrease in cash and cash equivalents | (82,485) | (19,748) |
| Cash and cash equivalents at beginning of period | 188,003 | 113,992 |
| Effect of exchange rate changes on cash balances held in foreign currencies | 1,338 | (562) |
| Cash and cash equivalents at end of period | 106,856 | 93,682 |

Note:

(1) Net additional borrowings were utilised mainly for operating and investing activities during the half year under review.

1(c) Consolidated Statement of Cash Flows (cont'd)

| | Half year ended Jun 30, 2020 \$'000 | Half year ended Jun 30, 2019 \$'000 |
|--|---|---|
| Note A : Summary of cash outflow arising from acquisition of interest in a subsidiary | | |
| Current assets | - | 2,060 |
| Current liabilities | - | (8,531) |
| Net current liabilities | - | (6,471) |
| Other non-current assets | - | 77,241 |
| Other non-current liabilities | - | (44,242) |
| | - | 26,528 |
| Goodwill | - | 5,287 |
| Purchase consideration | - | 31,815 |
| Cash of subsidiary acquired | - | (515) |
| Cash outflow arising from acquisition of interest in a subsidiary | - | 31,300 |

Cash and cash equivalents at end of period

The cash and cash equivalents as at Jun 30, 2020, for the purposes of Consolidated Statement of Cash Flows, comprise of cash and bank balances less deposits under pledge to banks of \$4,401,000.

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

| | Share capital \$'000 | Treasury shares \$'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, 2019 | 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 | - | - | 16,585 | - | 16,585 | - | 16,585 | 2,341 | 18,926 |
| Other comprehensive income (loss) for the period | - | - | - | 8,920 | 8,920 | - | 8,920 | (243) | 8,677 |
| Total | - | - | 16,585 | 8,920 | 25,505 | - | 25,505 | 2,098 | 27,603 |
| Transactions with owners, recognised directly in equity | | | | | | | | | |
| Recognition of share-based payments | - | - | - | 469 | 469 | - | 469 | - | 469 |
| Dividends | - | - | (52,114) | - | (52,114) | - | (52,114) | - | (52,114) |
| Acquisition of additional interest in a subsidiary from non-controlling interests | - | - | - | (3,772) | (3,772) | - | (3,772) | (3,228) | (7,000) |
| Net movement during the period | - | - | - | - | - | - | - | 1,969 | 1,969 |
| Issue of shares | 1,450 | - | - | (1,450) | - | - | - | - | - |
| Total | 1,450 | - | (52,114) | (4,753) | (55,417) | - | (55,417) | (1,259) | (56,676) |
| Distribution to perpetual capital securities holders | - | - | (3,459) | - | (3,459) | - | (3,459) | - | (3,459) |
| Balance as at Jun 30, 2019 | 724,043 | - | 1,235,269 | (13,860) | 1,945,452 | 148,753 | 2,094,205 | 98,706 | 2,192,911 |
| Balance as at Jan 1, 2020 | 724,043 | (841) | 1,271,536 | (2,972) | 1,991,766 | 307,966 | 2,299,732 | 99,131 | 2,398,863 |
| Total comprehensive income (loss) for the period | | | | | | | | | |
| Loss for the period | - | - | (71,773) | - | (71,773) | - | (71,773) | (7,209) | (78,982) |
| Other comprehensive income (loss) for the period | - | - | - | (2,787) | (2,787) | - | (2,787) | 88 | (2,699) |
| Total | - | - | (71,773) | (2,787) | (74,560) | - | (74,560) | (7,121) | (81,681) |
| Transactions with owners, recognised directly in equity | | | | | | | | | |
| Recognition of share-based payments | - | - | - | 417 | 417 | - | 417 | - | 417 |
| Dividends | - | - | (41,678) | - | (41,678) | - | (41,678) | - | (41,678) |
| Net movement during the period | - | - | - | - | - | - | - | 3,232 | 3,232 |
| Issue of shares | 1,450 | - | - | (1,450) | - | - | - | - | - |
| Purchase of treasury shares | - | (905) | - | - | (905) | - | (905) | - | (905) |
| Total | 1,450 | (905) | (41,678) | (1,033) | (42,166) | - | (42,166) | 3,232 | (38,934) |
| Transfer upon disposal of investment | - | - | (2,502) | 2,502 | - | - | - | - | - |
| Distribution to perpetual capital securities holders | - | - | (6,987) | - | (6,987) | - | (6,987) | - | (6,987) |
| Balance as at Jun 30, 2020 | 725,493 | (1,746) | 1,148,596 | (4,290) | 1,868,053 | 307,966 | 2,176,019 | 95,242 | 2,271,261 |

* 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 | Treasury shares \$'000 | Retained profits \$'000 | Other reserves** \$'000 | Shareholders' equity \$'000 | Perpetual capital securities \$'000 | Total equity \$'000 |
|---|-------------------------|---------------------------|----------------------------|----------------------------|--------------------------------|--|------------------------|
| COMPANY | | | | | | | |
| 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 | - | - | 1,042 | - | 1,042 | - | 1,042 |
| Other comprehensive income (loss) for the period | - | - | - | (199) | (199) | - | (199) |
| Total | - | - | 1,042 | (199) | 843 | - | 843 |
| Transactions with owners, recognised directly in equity | | | | | | | |
| Recognition of share-based payments | - | - | - | 469 | 469 | - | 469 |
| Dividends | - | - | (52,114) | - | (52,114) | - | (52,114) |
| Issue of shares | 1,450 | - | - | (1,450) | - | - | - |
| Total | 1,450 | - | (52,114) | (981) | (51,645) | - | (51,645) |
| Distribution to perpetual capital securities holders | - | - | (3,459) | - | (3,459) | - | (3,459) |
| Balance as at Jun 30, 2019 | 724,043 | - | 120,142 | 10,127 | 854,312 | 148,753 | 1,003,065 |
| COMPANY | | | | | | | |
| Balance as at Jan 1, 2020 | 724,043 | (841) | 182,665 | 10,661 | 916,528 | 307,966 | 1,224,494 |
| Total comprehensive loss for the period | | | | | | | |
| Loss for the period | - | - | (4,158) | - | (4,158) | - | (4,158) |
| Other comprehensive loss for the period | - | - | - | (92) | (92) | - | (92) |
| Total | - | - | (4,158) | (92) | (4,250) | - | (4,250) |
| Transactions with owners, recognised directly in equity | | | | | | | |
| Recognition of share-based payments | - | - | - | 417 | 417 | - | 417 |
| Dividends | - | - | (41,678) | - | (41,678) | - | (41,678) |
| Issue of shares | 1,450 | - | - | (1,450) | - | - | - |
| Purchase of treasury shares | - | (905) | - | - | (905) | - | (905) |
| Total | 1,450 | (905) | (41,678) | (1,033) | (42,166) | - | (42,166) |
| Distribution to perpetual capital securities holders | - | - | (6,987) | - | (6,987) | - | (6,987) |
| Balance as at Jun 30, 2020 | 725,493 | (1,746) | 129,842 | 9,536 | 863,125 | 307,966 | 1,171,091 |

** 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 half year 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 Jun 30, 2020, the number of outstanding share options under the Company's Share Option Scheme was 18,900,000 (as at Jun 30, 2019: 16,575,000), and the number of outstanding performance shares under the Company's Performance Share Plan was nil (as at Jun 30, 2019: 351,900).

As at Jun 30, 2020, the Company held 515,300 (as at Jun 30, 2019: nil) treasury shares which represents 0.1% (as at Jun 30, 2019: 0.0%) of the total number of issued shares (excluding treasury shares).

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

| | Jun 30, 2020 | Dec 31, 2019 |
|---|--------------|--------------|
| Total number of issued shares excluding treasury shares | 520,974,951 | 520,918,051 |

1(d)(iv) Statement Showing All Sales, Transfers, Cancellation and/or Use of Treasury Shares

Not applicable. There were no sales, transfers, cancellation and/or use of treasury shares 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 (International) ("SFRS(I)s") and amendments that are mandatory for financial years beginning on or after January 1, 2020. The adoption of these revised SFRS(I)s and amendments has no significant impact to the Group.

6. Earnings Per Ordinary Share

| | Half year ended Jun 30, 2020 | Half year ended Jun 30, 2019 |
|--|------------------------------|------------------------------|
| Based on the weighted average number of ordinary shares in issue (excluding treasury shares) | (15.12 cents) | 2.51 cents |
| On a fully diluted basis | (15.12 cents) | 2.51 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, 2020 | Dec 31, 2019 |
|---------|--------------|--------------|
| GROUP | \$3.59 | \$3.82 |
| COMPANY | \$1.66 | \$1.76 |

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 (excluding treasury shares) of the Company.

8. Review of Performance

For the half year ended June 30, 2020, the Group recorded a revenue of \$144.8 million compared to \$277.2 million for the corresponding period last year. The decrease was mainly attributable to lower contribution from the hotel division, which is one of the hardest hit industries by the ongoing COVID-19 pandemic, as a result of travel restrictions imposed. Revenue from the investment property division also decline due to rental relief provided to tenants.

The Group has taken significant measures to contain operating expenditure where possible. In countries where there are government support schemes, we have undertaken every and all measures to maximise the value of the support. Nevertheless, certain fixed costs are unavoidable, including non-cash expenses such as depreciation and amortisation which amounted to \$40.0 million. The Group also suffered mark-to-market fair value losses of \$33.8 million on long term investments due to weak market sentiments. Excluding these non-cash items, the Group generated an operating profit before depreciation, amortisation and fair value changes of \$7.7 million for the half year ended June 30, 2020.

The Group's share of results of associates and jointly controlled entities decreased from \$15.5 million for 1H 2019 to \$4.2 million for 1H 2020, despite higher profit from Holland Park Villas development in London, due to losses incurred by hotel owning associates and jointly controlled entities.

Group net loss attributable to shareholders for the half year ended June 30, 2020 was \$71.8 million compared to a net profit of \$16.6 million reported for the corresponding half year 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.

With various countries starting to re-open their economies and the relaxation of measures previously put in place to curb the spread of COVID-19, more of our hotels and resorts are now back in operation. However, without an effective vaccine, the COVID-19 pandemic will continue to cast a shadow over the hospitality industry. The escalating US-China tensions will also weigh on the global economy.

The Group has sufficient financial resources and liquidity to meet our short term obligations. We raised \$170 million in June with a 5-year fixed rate bond issue at a coupon of 3.8% p.a. In addition, the Group has unutilised committed credit facilities available to be drawn upon if required. We will continue to strive to preserve our cash with cost management measures and deferment of non-essential capital expenditure.

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 unaudited financial statements for the half year ended June 30, 2020, 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 14, 2020