



HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

Second Quarter Financial Statements

1(a)(i) Income Statement

	GROUP \$'000	
	Quarter ended Jun 30, 2019	Quarter ended Jun 30, 2018
Revenue	124,926	137,183
Cost of sales	(99,486)	(110,197)
Gross profit	25,440	26,986
Other operating income	10,579	3,841
Administrative expenses	(16,243)	(16,108)
Other operating expenses	(9,414)	(757)
Finance costs ⁽¹⁾	(10,017)	(6,992)
Share of results of associates and jointly controlled entities	11,100	1,300
Profit before income tax	11,445	8,270
Income tax expense	(9,957)	(3,541)
Profit after income tax	1,488	4,729
Attributable to:		
Shareholders of the Company	2,974	5,750
Non-controlling interests	(1,486)	(1,021)
	1,488	4,729

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

	GROUP \$'000	
	Quarter ended Jun 30, 2019	Quarter ended Jun 30, 2018
Investment income*	1,384	548
Other income including interest income* ⁽²⁾	8,974	606
Depreciation and amortisation ⁽³⁾	(18,263)	(15,253)
Net allowance for doubtful trade receivables*	(44)	(159)
Net fair value loss in held-for-trading investments*	(1,578)	(235)
Net fair value (loss) gain in investments*	(6,017)	2,681
Net foreign exchange loss*	(348)	(100)
Net adjustment for under provision of tax in respect of prior years	(5,214)	(672)
Net gain on disposal of property, plant and equipment*	221	-

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 Jun 30, 2019	Quarter ended Jun 30, 2018
Profit after income tax	1,488	4,729
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	7,874	6,579
Increase in other reserves	10	-
Share of other comprehensive loss of associates and jointly controlled entities	(5,991)	(11,575)
	1,893	(4,996)
Total comprehensive income (loss)	3,381	(267)
Attributable to:		
Shareholders of the Company	4,828	(253)
Non-controlling interests	(1,447)	(14)
	3,381	(267)

1(b)(i) Statements of Financial Position

	GROUP \$'000		COMPANY \$'000	
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018
ASSETS				
Current assets:				
Cash and bank balances	97,949	118,284	7,583	51,296
Held-for-trading investments	27,100	24,103	-	-
Trade and other receivables	69,153	40,210	17,063	2,692
Amount due from associates and jointly controlled entities	115,329	118,200	5,217	5,217
Amount due from subsidiaries	-	-	826,681	779,013
Inventories	9,769	9,612	159	178
Completed properties held for sale	10,181	10,505	-	-
Total current assets	329,481	320,914	856,703	838,396
Non-current assets:				
Associates and jointly controlled entities	489,527	519,166	-	-
Subsidiaries	-	-	518,786	528,985
Investments	118,815	128,163	-	-
Property, plant and equipment ⁽¹⁾	1,601,253	1,446,067	223,870	224,396
Investment properties	705,570	705,570	-	-
Derivative financial instruments	16,832	16,245	16,832	16,245
Deferred tax assets	3,419	3,391	-	-
Intangible assets	20,920	15,410	-	-
Total non-current assets	2,956,336	2,834,012	759,488	769,626
Total assets	3,285,817	3,154,926	1,616,191	1,608,022
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings ⁽²⁾	229,552	95,663	149,959	49,986
Trade and other payables	119,997	150,186	15,653	29,736
Amount due to subsidiaries	-	-	47,939	44,456
Income tax payable	13,863	18,736	1,224	14
Total current liabilities	363,412	264,585	214,775	124,192
Non-current liabilities:				
Advances from subsidiaries	-	-	229,421	93,031
Long-term borrowings	624,428	616,743	168,261	332,706
Long-term lease liabilities ⁽³⁾	82,462	-	-	-
Deferred tax liabilities	22,604	17,330	669	767
Total non-current liabilities	729,494	634,073	398,351	426,504
Share capital and reserves:				
Share capital	724,043	722,593	724,043	722,593
Reserves	1,221,409	1,278,765	130,269	185,980
Equity attributable to shareholders of the Company	1,945,452	2,001,358	854,312	908,573
Perpetual capital securities	148,753	148,753	148,753	148,753
	2,094,205	2,150,111	1,003,065	1,057,326
Non-controlling interests	98,706	106,157	-	-
Total equity	2,192,911	2,256,268	1,003,065	1,057,326
Total liabilities and equity	3,285,817	3,154,926	1,616,191	1,608,022

Note:

- (1) Includes ROU assets recognised arising from adoption of SFRS(I) 16.
- (2) 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 Jun 30, 2019 which is temporary, as most of these borrowings are capable of being refinanced.
- (3) 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 Jun 30, 2019		As at Dec 31, 2018	
Secured	Unsecured	Secured	Unsecured
\$79,593,000	\$149,959,000	\$45,677,000	\$49,986,000

Amount repayable after one year

As at Jun 30, 2019		As at Dec 31, 2018	
Secured	Unsecured	Secured	Unsecured
\$523,928,000	\$100,500,000	\$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 Jun 30, 2019 \$'000	Quarter ended Jun 30, 2018 \$'000
Cash flows (used in) from operating activities:		
Profit before income tax and share of results of associates and jointly controlled entities	345	6,970
Adjustments for:		
Amortisation of intangible assets	61	94
Depreciation expense	18,202	15,159
Share-based payment expense	269	251
Net fair value loss in held-for-trading investments	1,578	235
Net fair value loss (gain) in investments	6,017	(2,681)
Net gain on disposal of property, plant and equipment	(221)	-
Finance costs	10,017	6,992
Interest income	(233)	(490)
Dividend income	(1,384)	(548)
Profit before working capital changes	34,651	25,982
Trade and other payables	(8,017)	3,368
Completed properties held for sale	-	16,023
Trade and other receivables	(16,793)	8,016
Held-for-trading investments	378	(2,447)
Inventories	(696)	(132)
Cash generated from operations	9,523	50,810
Dividend received	1,384	548
Income tax paid	(14,800)	(5,826)
Net cash (used in) from operating activities	(3,893)	45,532
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	(28,148)	(26,718)
Return of capital from investments (Additional investments) (net)	39	(14,764)
Deposits placed for investments ⁽¹⁾	(14,056)	-
Net repayment from associates and jointly controlled entities	19,294	33,765
Proceeds from disposal of property, plant and equipment	394	121
Net cash used in investing activities	(60,777)	(7,596)
Cash flows from (used in) financing activities:		
Interest received	233	490
Finance costs paid	(10,100)	(6,719)
Repayment of lease liabilities	(296)	-
Dividend paid	(52,114)	(52,079)
Distribution to perpetual capital securities holders	(3,459)	(3,459)
Non-controlling shareholders	790	829
Additional borrowings ⁽²⁾	110,700	14,045
Repayment of borrowings ⁽²⁾	(13,627)	(15,468)
Net cash from (used in) financing activities	32,127	(62,361)
Net decrease in cash and cash equivalents	(32,543)	(24,425)
Cash and cash equivalents at beginning of period	126,366	209,032
Effect of exchange rate changes on cash balances held in foreign currencies	(141)	1,681
Cash and cash equivalents at end of period	93,682	186,288

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.

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

	Quarter ended Jun 30, 2019 \$'000	Quarter ended Jun 30, 2018 \$'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 ⁽³⁾	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, 2019, for the purposes of Consolidated Statement of Cash Flows, comprise of cash and bank balances less deposits under pledge to banks of \$4,267,000.

Note:

(3) This attributed to the increase in Intangible assets in the Group Statement of Financial Position.

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

	Share capital \$'000	Retained profits \$'000	Other reserves* \$'000	Share-holders' equity \$'000	Perpetual capital securities \$'000	Subtotal \$'000	Non-controlling interests \$'000	Total equity \$'000
GROUP								
Balance as at Apr 1, 2018	722,593	1,321,791	(8,851)	2,035,533	148,753	2,184,286	100,716	2,285,002
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	1,272,003	(14,603)	1,979,993	148,753	2,128,746	103,040	2,231,786
Balance as at Apr 1, 2019	724,043	1,287,868	(12,211)	1,999,700	148,753	2,148,453	102,644	2,251,097
Total comprehensive income (loss) for the period								
Profit (Loss) for the period	-	2,974	-	2,974	-	2,974	(1,486)	1,488
Other comprehensive income for the period	-	-	1,854	1,854	-	1,854	39	1,893
Total	-	2,974	1,854	4,828	-	4,828	(1,447)	3,381
Transactions with owners, recognised directly in equity								
Recognition of share-based payments	-	-	269	269	-	269	-	269
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	-	-	-	-	-	-	737	737
Total	-	(52,114)	(3,503)	(55,617)	-	(55,617)	(2,491)	(58,108)
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

* 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 Apr 1, 2018	722,593	172,566	10,509	905,668	148,753	1,054,421
Total comprehensive income (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
Balance as at Apr 1, 2019	724,043	175,460	9,897	909,400	148,753	1,058,153
Total comprehensive income (loss) for the period						
Profit for the period	-	255	-	255	-	255
Other comprehensive loss for the period	-	-	(39)	(39)	-	(39)
Total	-	255	(39)	216	-	216
Transactions with owners, recognised directly in equity						
Recognition of share-based payments	-	-	269	269	-	269
Dividends	-	(52,114)	-	(52,114)	-	(52,114)
Total	-	(52,114)	269	(51,845)	-	(51,845)
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

** 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 Jun 30, 2019, the number of outstanding share options under the Company's Share Option Scheme was 16,575,000 (as at Jun 30, 2018: 14,225,000), and the number of outstanding performance shares under the Company's Performance Share Plan was 351,900 (as at Jun 30, 2018: 703,800).

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

	Jun 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 Jun 30, 2019	Quarter ended Jun 30, 2018
Based on the weighted average number of ordinary shares in issue	0.24 cents	0.77 cents
On a fully diluted basis	0.24 cents	0.77 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, 2019	Dec 31, 2018
GROUP	\$3.73	\$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

For the second quarter ended June 30, 2019, the Group recorded a revenue of \$124.9 million compared to \$137.2 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 last year. This was offset by better performance by the Group's resorts, particularly those in Bali, Indonesia and the Maldives.

The Group's share of results of associates and jointly controlled entities increased from \$1.3 million for Q2 2018 to \$11.1 million for the quarter under review mainly due to profits from Holland Park Villas and the Burlington Gate developments in London.

Group profit before income tax for the quarter under review was \$11.4 million compared to \$8.3 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, 2019 was \$3 million compared to \$5.8 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 escalating trade tensions between the United States of America and China continue to weigh on the global economy, while uncertainties surrounding Brexit remain. These developments may affect consumer demand as well as result in fluctuations in foreign exchange rates, which may in turn affect the Group's future performance.

The Group's portfolio of hotels and resorts in diversified geographical locations and under prestigious and well-established hospitality brands are expected to be resilient. In London, apartments in the Burlington Gate and Holland Park Villas have been substantially sold and the development of Paddington Square and Bankside Yards, a commercial and mixed development respectively, are progressing.

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 second 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
August 14, 2019