

A photograph of a modern rooftop pool area. The pool is rectangular and surrounded by a wooden deck. There are several white lounge chairs around the pool. Two women in black swimsuits are sitting on the edge of the pool. The background shows a city skyline with several skyscrapers under a clear blue sky. The pool area is bordered by a glass railing on the left and a wall with a brick section in the middle. There are some green plants and trees around the pool area.

Hotel Properties Limited

Annual Report 2004



*C*ontents

- 2 Business Review
- 4 Corporate Information
- 6 Report of the Directors
- 11 Auditors' Report
- 12 Balance Sheets
- 13 Consolidated Profit and Loss Statement
- 14 Statements of Changes in Equity
- 16 Consolidated Cash Flow Statement
- 19 Notes to Financial Statements
- 52 Statement of Directors
- 54 Corporate Governance Report
- 64 Particulars of Group Properties
- 68 Statistics of Shareholdings
- 70 Notice of Annual General Meeting

*B*usiness *R*eview

The Group generated a turnover of \$320.1 million in 2004, a 14.4% increase from \$279.9 million in 2003. Profit before income tax increased by 164.7% from \$14.3 million in 2003 to \$38.0 million in 2004.

FINANCIAL REVIEW

In 2004, the global economic rebound gathered momentum as the world emerged from the effects of the US-Iraq conflict, SARS outbreak and terrorism. Increased consumer confidence and demand led to the Group's stronger performance for the year ended December 31, 2004, compared to the previous year.

The Group generated a turnover of \$320.1 million in 2004, a 14.4% increase from \$279.9 million in 2003. Profit before income tax increased by 164.7% from \$14.3 million in 2003 to \$38.0 million in 2004.

The Hotel Division contributed significantly to the improvement in both revenue and profitability with all the hotels in the Group achieving better results than last year. In particular, the Group's resorts in Bali delivered strong improvement with occupancy levels and room rates returning to levels close to those before the 2002 terrorist bombings. The Group's hotels in Singapore also recovered in tandem with improving economic and travel trends in 2004.

The tidal waves caused by the underwater earthquake in December 2004 affected the Group's two resorts in Maldives, resulting in financial losses. Although both resorts are covered by comprehensive insurance policies for property damage and business interruption, the Singapore Financial Reporting Standards ("SFRS") stipulate that such compensation should be recorded as a credit to the profit and loss statement only when it becomes receivable. The resorts are currently working closely with the Loss Adjuster on the claims under the insurance policies. This is expected to be a long-drawn process. Therefore, in accordance with SFRS, the Group recorded an extraordinary charge of \$2.3 million.

On the property front, the Group's investment in Oasis Riviera, a residential development in Shanghai, reported strong profits, resulting in higher share of results from associates.

RECENT DEVELOPMENTS

After a successful first year of operation, The Metropolitan Bangkok recorded a gross operating profit. The hotel has won acclaim and popularity for its trendsetting modern design and unparalleled comforts, which have raised the bar for luxury hospitality in the Thai capital.

The Group also completed its acquisition of a four-hectare site in Port Dickson, Malaysia, which would be the location of Hard Rock Hotel Port Dickson. Construction work for the luxury hotel is currently underway. Overlooking the Straits of Malacca, the hotel will cater to the leisure and Meeting, Incentive, Convention and Exhibition (MICE) markets with a state-of-the-art ballroom and other meeting facilities, plus other modern health and entertainment amenities.

In October 2004, Uma Paro opened in Bhutan. The 20-room, 9-villa mountain sanctuary indulges luxury adventure travellers with modern extravagances while offering an authentic Bhutanese cultural experience.

PROSPECTS

Travel trends to the Maldives are expected to be adversely affected in the short term as a result of the tsunami. However, barring unforeseen circumstances, the Board anticipates the Group's hotels and resorts in other geographical areas to continue to benefit from the growth in the travel and tourism industry. The Board also expects the operational performance of the Group for 2005 to continue to be profitable.



*C*orporate *I*nformation

Board of Directors

Chairman

Peter Y. S. Fu

Managing Director

Ong Beng Seng

Members

Christopher Lim Tien Lock

Joseph Grimberg

Gordon Seow Li Ming

Michael S. Dobbs-Higginson

Arthur Tan Keng Hock

Leslie Mah Kim Loong

David Fu Kuo Chen

(Alternate director to Peter Y. S. Fu)

Nominating Committee

Chairman

Gordon Seow Li Ming

Members

Joseph Grimberg

Peter Y. S. Fu

(Alternate: David Fu Kuo Chen)

Remuneration Committee

Chairman

Joseph Grimberg

Members

Michael S. Dobbs-Higginson

Ong Beng Seng

Audit Committee

Chairman

Arthur Tan Keng Hock

Members

Leslie Mah Kim Loong

Gordon Seow Li Ming

Secretaries

Boon Suan Lee

Chuang Sheue Ling

Principal Bankers

OCBC Bank

DBS Bank

United Overseas Bank

Auditors

Deloitte & Touche

Certified Public Accountants,

Singapore

Partner-in-charge

Cheung Pui Yuen

(appointed on May 28, 2002)

Registrar

Lim Associates (Pte) Ltd

10 Collyer Quay

#19-08 Ocean Building

Singapore 049315

Tel: 6536 5355

Registered Office

50 Cuscaden Road

#08-01 HPL House

Singapore 249724

Tel: 6734 5250

Financial Report 2004

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended December 31, 2004.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Peter Y. S. Fu
 Ong Beng Seng
 Christopher Lim Tien Lock
 Joseph Grimberg
 Gordon Seow Li Ming
 Michael S. Dobbs-Higginson
 Arthur Tan Keng Hock
 Leslie Mah Kim Loong
 David Fu Kuo Chen (Alternate director to Peter Y. S. Fu)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at anytime during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except as disclosed in paragraphs 3 and 5(d) of this report.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of director and company in which interests are held	At beginning of year	At end of year
The Company		
- Shares of \$1 each		
Peter Y. S. Fu	99,308,800*	99,308,800*
Ong Beng Seng	103,658,800**	105,408,800**
David Fu Kuo Chen	-	750,000
Christopher Lim Tien Lock	-	400,000

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of director and company in which interests are held	At beginning of year	At end of year
The Subsidiary		
- HPL Resorts (Maldives) Pvt Ltd		
Shares of Maldivian Rufiyaa 1,000 each		
Ong Beng Seng	10,000*	10,000*
Options to acquire ordinary shares of \$1 each under the Hotel Properties Limited Executives' Share Option Scheme		
Christopher Lim Tien Lock	1,020,000	1,000,000

* Held by other persons or bodies corporate in which the director has interest by virtue of Section 7 of the Singapore Companies Act.

** As at December 31, 2004, 102,408,800 (as at January 1, 2004, 100,658,800) shares are held by other persons or bodies corporate in which the director has interest by virtue of Section 7 of the Singapore Companies Act.

By virtue of Section 7 of the Singapore Companies Act, Messrs Peter Y.S. Fu and Ong Beng Seng are deemed to have an interest in the other related corporations of the Company.

There have been no changes in the above directors' interests as at January 21, 2005.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements and that:

- a) Messrs Peter Y. S. Fu, Ong Beng Seng and David Fu Kuo Chen are regarded to be interested in rental contracts at commercial rates in respect of certain shop and office units of the Group.
- b) Messrs Peter Y. S. Fu and/or Ong Beng Seng are deemed to be interested in transactions and arrangements entered into between certain subsidiaries and certain companies in which they have substantial financial interest for the provision of management services to operate certain hotels and resorts.
- c) Mr Ong Beng Seng is deemed to be interested in transactions and arrangements entered into between certain subsidiaries and certain companies in which he has substantial financial interest in relation to the operation of certain retail shops.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS (cont'd)

- d) Mr Ong Beng Seng is deemed to be interested in transactions and arrangements entered into between a subsidiary and a company in which he has substantial financial interest in relation to the operation of a restaurant.

5 SHARE OPTIONS

The Company has a share option scheme, known as Hotel Properties Limited Share Option Scheme 2000 ("Scheme 2000"), which was approved by the shareholders on June 23, 2000. This scheme replaced the Hotel Properties Limited Executives' Share Option Scheme ("Scheme 1990"), which was approved by the shareholders on November 19, 1990. The termination of Scheme 1990 did not affect the rights of outstanding options granted under Scheme 1990. During the financial year, the outstanding options granted under Scheme 1990 lapsed upon the expiry of the exercise period.

Scheme 2000 is administered by the Remuneration Committee whose members are:

Joseph Grimberg (Chairman)
Michael S. Dobbs-Higginson
Ong Beng Seng

a) Share Options Granted

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

b) Share Options Exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

5 SHARE OPTIONS (cont'd)

c) Unissued Shares Under Option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option except as follows:

Number of Share Options						
Date of Grant	Balance at 1/1/04	Exercised	Expired/ Cancelled	Balance at 31/12/04	Exercise Price	Exercise Period
Pursuant to Scheme 1990						
23/04/1999	760,000	-	760,000	-	\$1.10	23/04/2000 - 22/04/2004
Sub-total	760,000	-	760,000	-		
Pursuant to Scheme 2000						
13/11/2000	1,605,000	-	75,000	1,530,000	\$1.30	13/11/2002 - 12/11/2010
13/11/2000	250,000	-	-	250,000	\$1.21	13/11/2002 - 12/11/2010
27/09/2001	1,855,000	-	75,000	1,780,000	\$1.00	27/09/2002 - 26/09/2011
Sub-total	3,710,000	-	150,000	3,560,000		
Total	4,470,000	-	910,000	3,560,000		

Holders of the above share options granted have no right to participate by virtue of the options in any share issue of any other company.

- d) The information on directors participating in Scheme 2000 and employees who received 5 per cent or more of the total number of options available under Scheme 2000 are as follows:

Name of director/employee	Options granted during the financial year	Aggregate options granted since commencement of Scheme 2000 to the end of the financial year	Aggregate options exercised since commencement of Scheme 2000 to the end of the financial year	Aggregate options outstanding at the end of the financial year
Director Christopher Lim Tien Lock	Nil	1,000,000	Nil	1,000,000

No options under Scheme 2000 were granted to controlling shareholders or their associates.

6 AUDIT COMMITTEE

At the date of this report, the Audit Committee (the "Committee") comprises the following non-executive directors:

Arthur Tan Keng Hock (Chairman)
Gordon Seow Li Ming
Leslie Mah Kim Loong

The Committee held meetings since the last directors' report and performed the functions specified in the Singapore Companies Act. In performing its functions, the Committee reviewed the overall scope of the external audit and the assistance given by the Company's officers to the auditors. The Committee met with the Company's external auditors to discuss the audit plan and results of their examinations and their evaluation of the Company's system of internal accounting controls. The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the year ended December 31, 2004 as well as the auditors' report thereon.

The Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings.

The Committee recommended to the Board of Directors the nomination of Deloitte & Touche for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

7 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Peter Y. S. Fu
Chairman

Ong Beng Seng
Managing Director

Singapore
March 8, 2005

AUDITORS' REPORT TO THE MEMBERS OF HOTEL PROPERTIES LIMITED

We have audited the accompanying financial statements of Hotel Properties Limited set out on pages 12 to 51 for the year ended December 31, 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2004 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche
Certified Public Accountants

Cheung Pui Yuen
Partner

Singapore
March 8, 2005



BALANCE SHEETS
 December 31, 2004

		Group		Company	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
ASSETS					
Current assets:					
Cash	5	63,573	84,347	8,391	17,527
Short-term investments	6	3,894	6,428	-	-
Trade receivables	7	24,150	20,469	1,430	1,382
Other receivables and prepayments	8	14,089	19,503	736	802
Inventories	9	7,588	7,899	192	219
Development properties	10	31,397	27,367	-	-
Completed properties held for sale	11	10,349	10,349	-	-
Total current assets		155,040	176,362	10,749	19,930
Non-current assets:					
Associates	12	63,866	87,651	12,322	12,997
Subsidiaries	13	-	-	672,291	722,723
Other long-term investments	6	11,473	29,476	-	-
Other long-term asset	14	1,298	-	-	-
Property, plant and equipment	16	1,106,017	1,051,058	228,913	230,506
Investment properties	17	275,652	281,104	-	-
Expenditure carried forward	18	18,436	11,431	162	292
Negative goodwill	19	(16,606)	(16,833)	-	-
Total non-current assets		1,460,136	1,443,887	913,688	966,518
Total assets		1,615,176	1,620,249	924,437	986,448
LIABILITIES AND EQUITY					
Current liabilities:					
Bank loans	20	43,422	28,389	-	-
Trade payables		31,120	30,330	9,599	8,390
Other payables	21	23,081	33,347	-	-
Income tax payable		4,158	5,766	305	400
Total current liabilities		101,781	97,832	9,904	8,790
Non-current liabilities:					
Long-term bank loans	20	470,023	543,393	150,000	223,426
Advances from subsidiaries	13	-	-	60,376	62,637
Deferred tax liabilities	22	3,611	4,147	651	1,213
Total non-current liabilities		473,634	547,540	211,027	287,276
Minority interests	23	54,114	49,649	-	-
Share capital and reserves:					
Issued capital	24	453,024	453,024	453,024	453,024
Reserves		532,623	472,204	250,482	237,358
Total equity		985,647	925,228	703,506	690,382
Total liabilities and equity		1,615,176	1,620,249	924,437	986,448

See notes to financial statements set out on pages 19 to 51.

CONSOLIDATED PROFIT AND LOSS STATEMENT
Year ended December 31, 2004

		Group	
	Note	2004 \$'000	2003 \$'000
Revenue	25	320,140	279,860
Cost of sales		(233,040)	(214,558)
Gross profit		87,100	65,302
Other operating income	25	3,682	8,041
Administrative expenses		(39,404)	(37,879)
Other operating expenses		(5,530)	(8,303)
Profit from operations		45,848	27,161
Finance costs		(14,817)	(14,735)
Other non-operating (expenses) income	26	(361)	6,006
Profit before income tax and share of results of associates	26	30,670	18,432
Share of results of associates		7,296	(4,091)
Profit before income tax		37,966	14,341
Income tax expense	28	(9,837)	(5,773)
Profit after income tax		28,129	8,568
Minority interests		(4,438)	(3,861)
Net profit from ordinary activities		23,691	4,707
Extraordinary item	29	(2,319)	-
Net profit attributable to shareholders		21,372	4,707
Earnings per share before extraordinary item (Cents):	30		
- basic		5.23	1.04
- fully diluted		5.23	1.04
Earnings per share after extraordinary item (Cents):	30		
- basic		4.72	1.04
- fully diluted		4.72	1.04

See notes to financial statements set out on pages 19 to 51.

STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2004

Group	Note	Issued capital \$'000	Share premium \$'000	Asset revaluation reserve \$'000	Exchange fluctuation reserve \$'000	Reserve on consolidation \$'000	Retained profits \$'000	Dividend reserve \$'000	Total \$'000
Balance at January 1, 2003		453,024	121,092	216,794	(53,996)	19,899	147,405	8,834	913,052
Exchange fluctuation differences		-	-	-	17,382	-	-	-	17,382
Share of revaluation reserve of associates arising during the year		-	-	124	-	-	-	-	124
Adjustment arising from disposal of subsidiaries		-	-	-	(1,203)	-	-	-	(1,203)
Net gain not recognised in the profit and loss statement		-	-	124	16,179	-	-	-	16,303
Net profit for the year		-	-	-	-	-	4,707	-	4,707
Final dividend for the previous year, paid		-	-	-	-	-	-	(8,834)	(8,834)
Final dividend for the current year, proposed	31	-	-	-	-	-	(9,060)	9,060	-
Balance at December 31, 2003		453,024	121,092	216,918	(37,817)	19,899	143,052	9,060	925,228
Exchange fluctuation differences		-	-	-	(6,470)	-	-	-	(6,470)
Deficit arising arising during the year		-	-	(2,439)	-	-	-	-	(2,439)
Share of revaluation reserve of associates arising during the year		-	-	(851)	-	-	-	-	(851)
Adjustment arising from acquisition of additional interest in a subsidiary		-	-	58,137	-	-	-	-	58,137
Net gain (loss) not recognised in the profit and loss statement		-	-	54,847	(6,470)	-	-	-	48,377
Transfer to profit and loss statement during the year		-	-	(270)	-	-	-	-	(270)
Net profit for the year		-	-	-	-	-	21,372	-	21,372
Final dividend for the previous year, paid	31	-	-	-	-	-	-	(9,060)	(9,060)
Dividends for the current year, proposed	31	-	-	-	-	-	(18,121)	18,121	-
Balance at December 31, 2004		453,024	121,092	271,495	(44,287)	19,899	146,303	18,121	985,647

See notes to financial statements set out on pages 19 to 51.

STATEMENTS OF CHANGES IN EQUITY (cont'd)
Year ended December 31, 2004

<u>Company</u>	<u>Note</u>	<u>Issued capital \$'000</u>	<u>Share premium \$'000</u>	<u>Asset revaluation reserve \$'000</u>	<u>Exchange fluctuation reserve \$'000</u>	<u>Retained profits \$'000</u>	<u>Dividend reserve \$'000</u>	<u>Total \$'000</u>
Balance at January 1, 2003		453,024	120,885	110,785	(6,042)	4,543	8,834	692,029
Net gain not recognised in the profit and loss statement, being exchange fluctuation differences		-	-	-	374	-	-	374
Net profit for the year		-	-	-	-	6,813	-	6,813
Final dividend for the previous year, paid		-	-	-	-	-	(8,834)	(8,834)
Final dividend for the current year, proposed	31	-	-	-	-	(9,060)	9,060	-
Balance at December 31, 2003		453,024	120,885	110,785	(5,668)	2,296	9,060	690,382
Net gain not recognised in the profit and loss statement, being exchange fluctuation differences		-	-	-	5,210	-	-	5,210
Net profit for the year		-	-	-	-	16,974	-	16,974
Final dividend for the previous year, paid	31	-	-	-	-	-	(9,060)	(9,060)
Dividends for the current year, proposed	31	-	-	-	-	(18,121)	18,121	-
Balance at December 31, 2004		453,024	120,885	110,785	(458)	1,149	18,121	703,506

See notes to financial statements set out on pages 19 to 51.

CONSOLIDATED CASH FLOW STATEMENT
Year ended December 31, 2004

	2004 \$'000	Group 2003 \$'000
Cash flows from operating activities:		
Profit before income tax and share of results of associates	30,670	18,432
Adjustments for:		
Amortisation of expenditure carried forward	1,896	1,751
Depreciation expense	39,594	38,620
Expenditure carried forward written off	6	13
Plant and equipment written off	1,098	881
Release of negative goodwill	(227)	-
Impairment loss in associates	-	72
Impairment loss in property, plant and equipment	-	742
Impairment loss (Write back of impairment loss) in long-term investments	488	(1,077)
Interest expense	14,817	14,735
Interest income	(1,957)	(2,263)
Dividend income	(1,232)	(1,417)
Gain on disposal of investment properties	(139)	(398)
Gain on disposal of property, plant and equipment	(395)	(479)
Gain on disposal of subsidiaries	-	(4,160)
Loss (Gain) on disposal of long-term investments	695	(832)
Loss on dilution of interest in an associate	-	294
Deficit arising from revaluation of investment properties	2,133	-
Profit before working capital changes	87,447	64,914
Short-term investments	2,534	16,195
Receivables and prepayments	5,604	33,291
Inventories	436	(4,962)
Completed properties held for sale	-	4,592
Payables and accrued expenses	(9,843)	1,567
Cash generated from operations	86,178	115,597
Dividend paid	(9,060)	(8,834)
Dividend received	1,232	1,417
Interest paid	(14,817)	(14,735)
Interest received	1,957	2,263
Income tax paid	(8,603)	(31,568)
Net cash from operating activities	56,887	64,140

CONSOLIDATED CASH FLOW STATEMENT (cont'd)
Year ended December 31, 2004

	Group	
	2004	2003
	\$'000	\$'000
Cash flows from investing activities:		
Acquisition of subsidiaries (Note A)	(6,040)	-
Disposal of subsidiaries (Note B)	-	864
Acquisition of additional interest in subsidiary	(10,229)	(4,532)
Additional expenditure carried forward	(156)	(472)
Additional investment properties	(37)	(72)
Additional property, plant and equipment	(45,528)	(97,681)
Additional long-term investments	-	(1,965)
Development properties and expenditure	(3,760)	(8,778)
Net receipts from associates	18,945	9,449
Proceeds from disposal of investment properties	633	4,758
Proceeds from disposal of long-term investments	20,592	2,626
Proceeds from disposal of property, plant and equipment	682	2,448
Repayment to minority shareholders	(2,533)	(365)
Net cash used in investing activities	(27,431)	(93,720)
Cash flows from financing activity:		
Repayment of bank loans	(51,578)	(2,967)
Net cash used in financing activity	(51,578)	(2,967)
Net effect of exchange rate changes in consolidating subsidiaries	1,348	4,209
Net decrease in cash	(20,774)	(28,338)
Cash at beginning of year	84,347	112,685
Cash at end of year (Note 5)	63,573	84,347
Cash at end of year includes the following:		
Bank deposits	45,810	68,697
Cash and bank balances	17,763	15,650
	63,573	84,347

Note A: Summary of effects of acquisition of subsidiaries

The fair values of the assets and liabilities acquired were as follows:

Current assets	2,997	-
Current liabilities	(973)	-
Net current assets	2,024	-
Property, plant and equipment	812	-
Other non-current liabilities	(713)	-
Net assets acquired	2,123	-
Goodwill on consolidation	4,694	-
Purchase consideration	6,817	-
Cash of subsidiaries acquired	(777)	-
Cash flows arising from acquisition of subsidiaries	6,040	-

CONSOLIDATED CASH FLOW STATEMENT (cont'd)
Year ended December 31, 2004

	2004 \$'000	Group	2003 \$'000
<hr/>			
Note B: Summary of effects of disposal of subsidiaries			
The fair values of the assets and liabilities disposed were as follows:			
Current assets	-		14,938
Current liabilities	-		(14,449)
Net current assets	-		489
Property, plant and equipment	-		920
Other non-current liabilities	-		(351)
	-		1,058
Less: Minority interests	-		(265)
Net assets disposed	-		793
Realisation of exchange reserves	-		(1,203)
Gain on disposal of subsidiaries	-		4,160
Proceeds from disposal of subsidiaries	-		3,750
Cash of subsidiaries disposed	-		(2,886)
Cash flows arising from disposal of subsidiaries	-		864

See notes to financial statements set out on pages 19 to 51.

NOTES TO FINANCIAL STATEMENTS December 31, 2004

1 GENERAL

The Company (Reg No. 198000348Z) is incorporated in the Republic of Singapore with its principal place of business and registered office at 50 Cuscaden Road, #08-01 HPL House, Singapore 249724. The principal place of business for the hotel operations of Hilton Singapore is at 581 Orchard Road, Singapore 238883. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are those of a hotelier and an investment holding company. The principal activities of subsidiaries, significant associates and joint venture company are described in Notes 35, 36 and 15 respectively to the financial statements.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the year ended December 31, 2004 were authorised for issue by the Board of Directors on March 8, 2005.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost convention, modified to include the revaluation of certain freehold and long-term leasehold land, development properties and investment properties. They are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and the enterprises controlled by the Company (its subsidiaries) made up to December 31 each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed off during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group. All significant intercompany transactions and balances between Group enterprises are eliminated on consolidation.

FINANCIAL ASSETS – Financial assets include cash, short-term investments, trade and other receivables, and other long-term investments. Trade and other receivables are stated at their nominal values as reduced by appropriate allowances, if any, for estimated irrecoverable amounts. The accounting policy for investments is stated below.

FINANCIAL LIABILITIES AND EQUITY – Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities include trade and other payables and bank loans. Trade and other payables are stated at their nominal values. Bank loans are recorded at the proceeds received. Finance costs are accounted for on an accrual basis. Equity instruments are recorded at the fair values of the consideration received, net of direct issue costs. Dividends on ordinary shares are recognised in shareholders' equity in the period in which they are declared.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVESTMENTS – Quoted and unquoted investments (including shares in associates, subsidiaries and joint venture company) held for long-term purposes are stated at cost less any impairment in net recoverable value. Quoted and unquoted investments held for short-term purposes are stated at the lower of cost or market value determined on a portfolio basis.

INVENTORIES – Inventories are measured at the lower of cost (moving average/FIFO method) and net realisable value. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

DEVELOPMENT PROPERTIES – Development properties are stated at the lower cost plus attributable profits losses and net realisable value less progress payments received and receivable. Cost includes land and other direct and related development expenditure, including interest on borrowings, incurred in developing the properties. Profits are recognised based on the percentage of completion method. The amount brought into the financial statements is the direct proportion of total expected project profit attributable to the actual sales contracts signed, but only to the extent that it relates to the stage of physical completion at the end of the year. When losses are expected, full provision is made in the financial statements after adequate allowance has been made for estimated costs to completion. Developments are considered complete upon the issue of temporary occupation permits.

COMPLETED PROPERTIES HELD FOR SALE – Completed properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all costs to be incurred in marketing and selling.

ASSOCIATES – An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The equity method of accounting is used. The carrying amount of such investments is reduced to recognise any decline in the net recoverable value of individual investments. Where a Group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. The Group's investments in associates include goodwill (net of accumulated amortisation) on acquisition.

JOINT VENTURE COMPANY – Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest and are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

OTHER LONG-TERM ASSET – This comprise prepaid rent, which is charged out on a straight-line basis over the lease term which is 10 years.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost or valuation, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Construction-in-progress consists of land cost, related acquisition expenses, construction costs and finance costs, if any incurred during the period of construction.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Any revaluation surplus arising on the revaluation of freehold and long-term leasehold land is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation deficit for the same asset previously recognised as an expense, in which case the surplus is credited to the profit and loss statement to the extent of the deficit previously charged. A deficit in carrying amount arising on the revaluation of freehold land is charged as an expense to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Operating equipment is written off based on periodic physical inventory. Depreciation is charged so as to write off the cost of assets, other than freehold and long-term leasehold land, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and property	- 19 to 89 years
Buildings and improvements	- 2 to 50 years
Plant and equipment, furniture, fixtures and fittings	- 3 to 20 years

Depreciation is not provided on freehold and long-term leasehold land and construction-in-progress.

Fully depreciated assets still in use are retained in the financial statements.

INVESTMENT PROPERTIES – Investment properties are held on a long-term basis for investment potential and income. Investment properties are stated at periodic valuation on an open market value for existing use basis. Professional valuations are obtained at least once in 3 years. Any revaluation surplus arising on the revaluation of investment properties is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation deficit for the same asset previously recognised as an expense, in which case the surplus is credited to the profit and loss statement to the extent of the deficit previously charged. A deficit in carrying amount arising on the revaluation of investment properties is charged as an expense to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. The asset revaluation reserve is released to the profit and loss statement as and when the related revalued property is sold.

EXPENDITURE CARRIED FORWARD – These comprise franchise rights, bank facility fees and goodwill. Franchise rights are amortised using the straight-line method over their useful lives, but not exceeding 20 years. Bank facility fees are written off over the terms of the related bank facility, which ranges from 3 to 5 years. Expenditure carried forward are stated at cost less amortisation. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

GOODWILL AND NEGATIVE GOODWILL – Goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's interest in the fair values of identifiable assets and liabilities of the acquired subsidiary, associate or joint venture company at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its estimated useful life, which ranges from 2 to 20 years.

On disposal of a subsidiary, associate or joint venture company, the attributable amount of unamortised goodwill is included in the determination of profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Negative goodwill represents the excess of the Group's interest in the fair values of the identifiable assets and liabilities of a subsidiary, associate or joint venture company at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

On disposal of a subsidiary, associate or joint venture company, the attributable amount of negative goodwill not recognised as income is included in the determination of profit or loss on disposal.

Prior to January 1, 2001, goodwill and negative goodwill arising from acquisition of subsidiaries, associates or joint venture companies were directly adjusted against shareholders' equity. With effect from January 1, 2001, the Group has adopted FRS 22 – *Business Combinations*, and now presents goodwill as an asset in the balance sheet and negative goodwill separately in the balance sheet as a deduction from assets.

Goodwill and negative goodwill on acquisition prior to January 1, 2001 adjusted directly against shareholders' equity has not been retrospectively capitalised and amortised as allowed under FRS 22.

IMPAIRMENT OF ASSETS – At each balance sheet date, the Group and Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or building at a revalued amount, in which case the impairment loss is treated in the same manner as described under the accounting policies for investment properties and property, plant and equipment outlined above.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated in the same manner as described under the accounting policies for investment properties and property, plant and equipment outlined above.

MINORITY INTEREST – Minority interest is stated at the appropriate proportion of the pre-acquisition carrying amounts of the net assets of the subsidiary adjusted for the appropriate share of post-acquisition profit or loss.

SHARE OPTIONS – Share options are not recorded as an expense when granted. When exercised, the exercise price is allocated between issued capital and share premium accordingly.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – Transactions in foreign currencies are recorded using the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair values that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statements, except that exchange differences arising on monetary items that, in substance, form part of the Group's net investment in foreign entities, are taken to exchange fluctuation reserve.

For inclusion in the consolidated financial statements, assets and liabilities of foreign entities (associates, subsidiaries and joint venture company) are translated at the rates of exchange approximating those ruling at the balance sheet date. The profit and loss statements are translated at the average rates of exchange for the year, and the opening net investment in the foreign entities are translated at historical rates. The resulting currency translation differences are taken to the exchange fluctuation reserve.

On disposal of a foreign entity, the accumulated currency translation and fluctuation differences are recognised in the consolidated profit and loss statement as part of the consolidated profit or loss on disposal.

CURRENT ASSETS AND LIABILITIES – These are classified according to their realisation or settlement in the normal course of the company's operating cycle which may be in excess of one year.

REVENUE RECOGNITION –

- (a) Sales other than revenue from development properties are recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and costs of the transaction (including future costs) can be measured reliably;
- (b) Hotel room revenue is recognised based on room occupancy while other hotel revenue are recognised when the goods are delivered or the services are rendered to the customers;
- (c) Rental income is recognised on a time proportion basis;
- (d) Management fee income is recognised when services are rendered;
- (e) Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable; and
- (f) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

BORROWING COSTS – All borrowing costs are recognised in the net profit or loss in the period in which they are incurred on an accrual basis, except that borrowing costs relating to development properties are treated in the same manner as described under the accounting policy for development properties outlined above.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as the Singapore Central Provident Fund) are charged as an expense when incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INCOME TAX – Tax expense is determined on the basis of tax-effect accounting using the liability method and it is applied to all significant temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit except that a debit to the deferred tax balance is not carried forward and that potential tax saving relating to a tax loss carryforward is not recorded as an asset unless there is a reasonable expectation of realisation in the foreseeable future.

Deferred tax is charged or credited to the profit and loss statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

3 FINANCIAL RISK AND MANAGEMENT

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The policies for managing each of these risks are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates mainly to its bank borrowings which are mainly on floating rate terms. The Group actively reviews its debt portfolio to achieve the most favourable interest rates available. Hedging instruments such as interest rate swaps are used where appropriate to minimise its exposure to interest rate volatility.

The notional principal amount of the Group's outstanding interest rate swap contracts as at December 31, 2004 was \$59,000,000 (2003: \$159,000,000). The fair values of the instruments, which represent a gain (2003: gain) should the instrument be exchanged in a current transaction between willing parties other than in a forced or liquidation sale, are approximately \$356,000 (2003: \$571,000).

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States dollars, Australian dollars, Sterling pounds, Thai baht and Indonesian rupiah.

The Group maintains natural hedges, whenever possible, by borrowing in currencies that match the future revenue stream to be generated from its investments.

Credit risk

The Group has a diversified portfolio of businesses and at balance sheet date, there were no significant concentration of credit risk with any entity. The Group has guidelines governing the process of granting credit as a service or product provider in its respective segments of business.

Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash or cash convertible investments to meet its working capital requirement. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

3 FINANCIAL RISK AND MANAGEMENT (cont'd)

Fair values of financial assets and financial liabilities

(a) Short-term financial assets and liabilities

The fair values of short-term financial assets and liabilities approximate their carrying amounts because of their immediate or short-term maturity.

(b) Long-term financial assets and liabilities

The fair values of long-term investments and asset cannot be determined without incurring excessive costs and time due to a lack of quoted market prices and related information. The directors believe that the fair values would not differ significantly from the carrying amounts recorded in the balance sheet.

It is not practical to estimate the fair values of advances to/from subsidiaries/associates/minority shareholders due to a lack of repayment terms as agreed between the contracting parties. The directors believe that the fair values would not differ significantly from the carrying amounts recorded in the balance sheet.

The fair values of long-term financial liabilities comprising mainly long-term borrowings approximate their carrying amounts as they are based on floating interest rates.

4 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Significant transactions with such related parties during the year are as follows:

	Group	
	2004 \$'000	2003 \$'000
Transactions with companies in which certain directors are deemed to have interests:		
Management fee expense	724	590
Management fee income	(640)	(981)
Rental income	(8,218)	(6,453)
Disposal of certain subsidiaries	-	(3,750)
Transactions with associates:		
Management fee income	(1,239)	(1,173)
Interest income	(1,061)	(964)

5 CASH

- a) As at December 31, 2004, cash and cash equivalents of approximately \$529,000 (2003: Nil) were held under the Housing Developers (Project Account) Rules, withdrawals from which were restricted to payments for expenditure incurred on projects to which they relate.
- b) As at December 31, 2004, cash and cash equivalents of approximately \$152,000 (2003: \$1,652,000) were pledged to the banks to secure credit facilities for certain subsidiaries of the Group.
- c) The bank deposits of the Group bear annual interest ranging from 0% to 5.15% (2002: 0% to 5.1%).

6 INVESTMENTS**a) Short-term investments**

	2004 \$'000	Group	2003 \$'000
Quoted equity shares, at cost	6,863		8,326
Less: Impairment loss	(2,969)		(1,898)
Net	3,894		6,428
Market values of quoted equity shares	3,894		6,428

b) Long-term investments

	2004 \$'000	Group	2003 \$'000
Quoted equity shares, at cost	332		21,407
Unquoted equity shares, at cost	15,438		15,438
Other unquoted investments, at cost	1,634		-
Less: Impairment loss	(5,931)		(7,369)
Net	11,473		29,476
Market values of quoted equity shares	453		17,701

7 TRADE RECEIVABLES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade receivables	24,502	20,846	1,510	1,456
Less: Allowances for doubtful receivables	(352)	(377)	(80)	(74)
	24,150	20,469	1,430	1,382

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Amount receivable in respect of dilution of interest in an associate	-	1,195	-	-
Deposits for acquisition of capital assets	236	2,688	-	-
Due from companies in which certain directors have interests*:				
In respect of disposal of subsidiaries	-	3,750	-	-
Others	-	9	-	-
Insurance claims	6,010	-	-	-
Other deposits	1,218	1,004	-	-
Other receivables	1,822	5,048	435	516
Prepayments	4,175	4,099	301	286
Rental deposits	570	545	-	-
Tax recoverable	58	1,165	-	-
Total	14,089	19,503	736	802

* Amounts due from companies in which certain directors have interests were unsecured and interest-free. Except for the amount receivable in respect of disposal of subsidiaries, which was due in January 2004, the remaining amounts had no fixed terms of repayment.

9 INVENTORIES

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
At cost:				
Saleable merchandise	4,458	5,217	162	190
Operating supplies	2,492	2,032	30	29
	6,950	7,249	192	219
Saleable merchandise carried at net realisable value	638	650	-	-
Total	7,588	7,899	192	219

10 DEVELOPMENT PROPERTIES

	Group	
	2004	2003
	\$'000	\$'000
Cost incurred and attributable profits	35,380	30,240
Less: Progress payments received and receivable	(1,038)	-
Less: Impairment loss	(2,945)	(2,873)
Net	31,397	27,367
Finance costs capitalised during the year	86	-

The rates of interest relating to the finance costs ranged from 2.05% to 2.52% per annum.

11 COMPLETED PROPERTIES HELD FOR SALE

Location	Title	Description
Four Seasons Park 10 and 12 Cuscaden Walk, Singapore 249692	Freehold	6 (2003: 6) condominium units with an aggregate floor area of approximately 19,018 (2003: 19,018) square feet
Sailmakers Court Townmead Road, London, England	Leasehold (999 years from December 25, 1989)	1 (2003: 1) apartment unit with an aggregate floor area of approximately 1,373 (2003: 1,373) square feet

12 ASSOCIATES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unquoted equity shares, at cost	162,469	171,549	-*	-*
Goodwill written off	(1,259)	(1,259)	-	-
Reserve on consolidation	5,616	5,616	-	-
	166,826	175,906	-	-
Share of other reserves	4,267	6,284	-	-
Due from associates	41,517	21,873	12,322	12,997
Less:				
Impairment loss	-	(2,939)	-	-
Share of post-acquisition results, net of dividend received	(148,744)	(113,473)	-	-
Net	63,866	87,651	12,322	12,997

* The Company's cost of investment in unquoted equity shares is \$3.

The amounts due from associates are substantially non-trade in nature, unsecured and interest-free.

Information relating to significant associates is shown in Note 36 to the financial statements.

13 SUBSIDIARIES

	Company	
	2004	2003
	\$'000	\$'000
Unquoted equity shares, at cost	190,778	190,778
Advances to subsidiaries	497,076	547,608
	687,854	738,386
Less: Impairment loss	(15,563)	(15,663)
Net	672,291	722,723

The advances to subsidiaries are unsecured, substantially non-trade in nature and not expected to be repaid within the next twelve months. About 20% (2003: 18%) of the advances to subsidiaries bears an annual interest rate ranging from 1.9% to 2.2% (2003: 2.0% to 2.2%) and the balance is non-interest bearing. During the financial year, interest income from subsidiaries amounted to \$1,841,000 (2003: \$1,895,000).

Information relating to subsidiaries is shown in Note 35 to the financial statements.

The advances from subsidiaries are unsecured, substantially non-trade in nature, interest-free and not expected to be repaid within the next twelve months.

14 OTHER LONG-TERM ASSET

	Group	
	2004	2003
	\$'000	\$'000
Prepaid rent	1,409	-
Less: Current portion included in prepayment (Note 8)	(111)	-
	1,298	-

15 JOINT VENTURE COMPANY

Information relating to the joint venture company is as follows:

Name of Joint Venture Company	Principal Activity	Country of Incorporation/ Place of Business	Group's Effective Equity Interest	
			2004	2003
Hermill Investments Pte Ltd	Investment holding and letting out of properties	Singapore	59%	59%

The following amounts are included in the Group's consolidated financial statements as a result of proportionate consolidation of the joint venture company:

	2004 \$'000	2003 \$'000
Balance sheet		
Current assets	12,364	9,394
Property, plant and equipment	246	233
Investment property	197,650	197,952
Expenditure carried forward	111	143
Less: Current liabilities	(5,818)	(3,475)
Non-current liability	(115,640)	(118,000)
Net assets	88,913	86,247

Profit and loss statement

Revenue	9,562	9,158
Cost of sales	(3,147)	(2,552)
Other operating income	213	183
Expenses	(3,200)	(3,023)
Income tax	(762)	(965)
Share of profit after income tax	2,666	2,801

The above profit includes the following (charges) credits:

Amortisation of expenditure carried forward	(32)	(57)
Deficit arising from revaluation of investment property	(339)	-
Interest expense to non-related companies	(2,799)	(2,928)
Interest income from non-related companies	84	50
Rental income from enterprises in which certain directors are deemed to have interests	2,141	1,895
Rental income from investment property	8,888	8,489

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold land \$'000	Leasehold property \$'000	Buildings and improvements \$'000	Plant and equipment, furniture, fixtures and fittings \$'000	Construction- in- progress \$'000	Total \$'000
Group						
Cost or valuation:						
At beginning of year	457,289	116,872	545,544	242,532	7,797	1,370,034
Additions	8,763	-	2,837	15,407	20,898	47,905
Arising from acquisition of subsidiaries	73,164	-	5,085	4,292	-	82,541
Disposals	-	-	(12,140)	(11,649)	-	(23,789)
Exchange realignment	(4,091)	-	(13,500)	(3,614)	(846)	(22,051)
At end of year	535,125	116,872	527,826	246,968	27,849	1,454,640
Represented by:						
Valuation	416,756	-	-	-	-	416,756
(Cost*: 2004: \$143,984,000 2003: \$138,809,000)						
Cost	118,369	116,872	527,826	246,968	27,849	1,037,884
	535,125	116,872	527,826	246,968	27,849	1,454,640
Accumulated depreciation:						
At beginning of year	7,537	19,707	114,630	176,385	-	318,259
Depreciation for the year	1,095	1,313	17,670	19,516	-	39,594
Arising from acquisition of subsidiaries	-	-	4,913	4,000	-	8,913
Disposals	-	-	(4,902)	(7,990)	-	(12,892)
Exchange realignment	(318)	-	(3,457)	(2,165)	-	(5,940)
At end of year	8,314	21,020	128,854	189,746	-	347,934
Impairment loss:						
At beginning of year	715	-	2	-	-	717
Exchange realignment	(28)	-	-	-	-	(28)
At end of year	687	-	2	-	-	689
Depreciation for last year	1,126	1,314	16,911	19,269	-	38,620
Carrying amount:						
At beginning of year	449,037	97,165	430,912	66,147	7,797	1,051,058
At end of year	526,124	95,852	398,970	57,222	27,849	1,106,017

HOTEL PROPERTIES LIMITED

(Incorporated in the Republic of Singapore)

(Registration Number 198000348Z)

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold and leasehold land \$'000	Buildings and improvements \$'000	Plant and equipment, furniture, fixtures and fittings \$'000	Total \$'000
Company				
Cost or valuation:				
At beginning of year	208,800	24,681	72,044	305,525
Additions	-	251	4,169	4,420
Disposals	-	-	(2,366)	(2,366)
At end of year	208,800	24,932	73,847	307,579
Represented by:				
Valuation	208,800	-	-	208,800
(Cost*: 2004: \$98,015,000 2003: \$98,015,000)				
Cost	-	24,932	73,847	98,779
	208,800	24,932	73,847	307,579
Accumulated depreciation:				
At beginning of year	-	13,741	61,278	75,019
Depreciation for the year	-	420	5,102	5,522
Disposals	-	-	(1,875)	(1,875)
At end of year	-	14,161	64,505	78,666
Depreciation for last year	-	417	5,056	5,473
Carrying amount:				
At beginning of year	208,800	10,940	10,766	230,506
At end of year	208,800	10,771	9,342	228,913

* This represents the carrying amount of the freehold and long-term leasehold land had they been carried at cost.

The freehold and long-term leasehold land are stated at valuation based on the open market value for existing use as at December 31, 1996 by Edmund N S Tie & Company Pte Ltd (now known as DTZ Debenham Tie Leung (SEA) Pte Ltd) and its associates. The valuation is carried out as and when the directors consider it necessary and appropriate. The revaluation surplus of the Company and of the Group has been recorded in the asset revaluation reserve in the respective financial statements. During the financial year, the Group revalued a long-term leasehold land of a subsidiary following the acquisition of additional equity interest in this subsidiary. The long-term leasehold land is stated at valuation based on projected future cash flow of the leasehold land.

The finance costs capitalised in construction-in-progress during the financial year amounted to approximately \$49,000 (2003: Nil). The rates of interest relating to the finance costs range from 3.18% to 3.94% per annum.

As at December 31, 2004, certain property, plant and equipment with total carrying amount of \$926 million (2003: \$882 million) were mortgaged to banks to secure credit facilities for the Company and respective subsidiaries of the Group.

17 INVESTMENT PROPERTIES

In accordance with the accounting policy of the Group, the investment properties are stated at valuation based on the professional valuation carried out by two independent firms of valuers, DTZ Debenham Tie Leung (SEA) Pte Ltd and Associated Property Consultants Pte Ltd, for the different investment properties in December 2004 and January 2005 (2003: DTZ Debenham Tie Leung and FPD Savills (Singapore) Pte Ltd in December 2001) on the basis of open market value for existing use. Additions subsequent to December 31, 2004 are carried at cost until the next valuation.

As at December 31, 2004, certain investment properties amounting to approximately \$264 million (2003: \$268 million) were mortgaged to banks to secure credit facilities for the respective subsidiaries of the Group.

18 EXPENDITURE CARRIED FORWARD

	Goodwill \$'000	Franchise Rights \$'000	Deferred Charges \$'000	Total \$'000
Group				
Cost:				
At beginning of year	9,586	6,829	3,073	19,488
Additions	-	101	55	156
Arising from acquisition of subsidiaries	9,107	-	-	9,107
Write off	(4,622)	(34)	(183)	(4,839)
Exchange realignment	(260)	(101)	(52)	(413)
At end of year	13,811	6,795	2,893	23,499
Accumulated amortisation:				
At beginning of year	5,347	1,458	1,252	8,057
Amortisation charge against other non-operating income	1,035	364	497	1,896
Write off	(4,622)	(28)	(183)	(4,833)
Exchange realignment	(18)	(26)	(13)	(57)
At end of year	1,742	1,768	1,553	5,063
Amortisation for last year	894	367	490	1,751
Carrying amount:				
At beginning of year	4,239	5,371	1,821	11,431
At end of year	12,069	5,027	1,340	18,436
Company				
Cost:				
At beginning and end of year	-	-	649	649
Accumulated amortisation:				
At beginning of year	-	-	357	357
Amortisation charge against other non-operating income	-	-	130	130
At end of year	-	-	487	487
Amortisation for last year	-	-	130	130
Carrying amount:				
At beginning of year	-	-	292	292
At end of year	-	-	162	162

19 NEGATIVE GOODWILL

	Group \$'000
Gross amount:	
At beginning and end of year	16,833
Transferred to profit and loss statement:	
Transfer to profit and loss statement and balance at end of year	227
Carrying amount:	
At beginning of year	16,833
At end of year	16,606

Release of negative goodwill of \$227,000 (2003: Nil) is included as other operating expenses.

20 CREDIT FACILITIES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<u>Due after twelve months</u>				
Long-term bank loans (a)				
- secured	320,023	393,393	-	73,426
- unsecured	150,000	150,000	150,000	150,000
	470,023	543,393	150,000	223,426
<u>Due within twelve months</u>				
Current portion of long-term bank loans (a)				
- secured	17,292	14,361	-	-
Short-term bank loans (b)				
- secured	26,130	14,028	-	-
	43,422	28,389	-	-
Bankers' guarantees and letters of credit (c)	1,753	2,998	339	290

(a) Long-term bank loans bear annual interest rates ranging from 0.9% to 1.7% (2003: 0.5% to 1.7%) above cost of funds of the lender banks. The facilities are repayable from 2005 to 2010 (2003: 2004 to 2010). Securities include legal mortgages on properties of the Company and certain subsidiaries (Note 16); fixed and floating charges on the assets of the Company and certain subsidiaries; pledge of shares of certain subsidiaries and corporate guarantees from the Company, a subsidiary and certain minority shareholders.

20 CREDIT FACILITIES (cont'd)

- (b) Short-term bank loan bears annual interest rates ranging from 0.9% to 1.5% above cost of funds and bank bill rate of the lender banks (2003: 1.5% above bank bill rate of the lender bank). Securities include legal mortgages on properties of certain subsidiaries (Note 16); fixed and floating charges on the assets of certain subsidiaries and corporate guarantee from the Company and certain minority shareholders (2003: a legal mortgage on property of a subsidiary and corporate guarantee from the Company).
- (c) The Group has obtained bankers' guarantees in favour of various statutory boards and government regulatory authorities and letters of credit in favour of various suppliers. These guarantees and letters of credit are secured by the assets and undertakings as in (a) above and/or pledge of fixed deposits of certain subsidiaries (Note 5).

21 OTHER PAYABLES

	2004	Group	2003
	\$'000		\$'000
Accrued employee-related expenses	6,829		5,135
Accrued operating expenses	8,528		11,599
Deposit received	2,336		1,455
Due to companies in which certain directors have interests*	370		634
Interest payable to non-related companies	1,126		1,436
Other payables	2,574		4,852
Payable arising from acquisition of an associate	-		1,063
Accrued renovation/construction cost	1,318		7,173
Total	23,081		33,347

- * Amounts due to companies in which certain directors have interests are unsecured, interest-free and have no fixed terms of repayment.

22 DEFERRED TAX LIABILITIES

The movement for the year in deferred tax position is as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At beginning of year	4,147	5,544	1,213	1,686
Reversal from profit and loss statement	(83)	(1,379)	(451)	(473)
Exchange realignment	(57)	(18)	-	-
Effect of change in tax rate	(396)	-	(111)	-
At end of year	3,611	4,147	651	1,213

The following are the major deferred tax liabilities recognised by the Company and the Group and movements thereon during the year:

	Accelerated tax depreciation \$'000	Other temporary differences \$'000	Total \$'000
Group			
At beginning of year	3,123	1,024	4,147
Charge to (Reversal from) profit and loss statement	496	(579)	(83)
Exchange realignment	(57)	-	(57)
Effect of change in tax rate	(225)	(171)	(396)
Total	3,337	274	3,611
Company			
At beginning of year	1,213	-	1,213
Reversal from profit and loss statement	(451)	-	(451)
Effect of change in tax rate	(111)	-	(111)
Total	651	-	651

23 MINORITY INTERESTS

	Group	
	2004 \$'000	2003 \$'000
Minority shareholders' share of issued share capital and reserves	60,853	54,076
Advances from minority shareholders	12,593	15,522
Advances to minority shareholders	(19,332)	(19,949)
Net	54,114	49,649

Advances from and to minority shareholders are unsecured, interest-free and not expected to be repaid within the next twelve months.

24 ISSUED SHARE CAPITAL AND OPTIONS

	Group and Company	
	2004	2003
	\$'000	\$'000
Authorised		
1,000,000,000 ordinary shares of \$1 each	1,000,000	1,000,000
Issued and fully paid capital at beginning and end of year		
453,024,410 (2003: 453,024,410) ordinary shares of \$1 each	453,024	453,024

i) Issue of shares

No new ordinary shares were issued during the financial year.

ii) Options

As at the end of the financial year, there are options granted to certain executives of the Group under the Executives' Share Option Scheme approved in 2000 to take up unissued shares totalling 3,560,000 (2003: 4,470,000) ordinary shares of \$1 each. Details on the options exercised and options outstanding as at end of the financial year are described in paragraph 5 of the Directors' report. No option was exercised during the current and previous financial year.

25 REVENUE AND OTHER OPERATING INCOME

	Group	
	2004	2003
	\$'000	\$'000
Revenue		
Sales	22,471	49,053
Hotel revenue	278,197	211,776
Rental income	17,375	17,414
Management fee	2,097	1,617
Total	320,140	279,860

	Group	
	2004	2003
	\$'000	\$'000
Other operating income		
Interest income	1,957	2,263
Dividend income (gross)	1,232	1,417
Gain on disposal of short-term investments	-	1,221
Write back of impairment loss in short-term investments	-	2,072
Others	493	1,068
Total	3,682	8,041

Included in sales is an amount of \$1,329,000 (2003: Nil) being revenue recognised based on percentage of completion method on development properties.

26 PROFIT BEFORE INCOME TAX AND SHARE OF RESULTS OF ASSOCIATES

	2004	Group	2003
Number of employees at end of year	4,394		4,200
	2004	Group	2003
	\$'000		\$'000
Staff costs	83,990		79,226
Cost of defined contribution plans included in staff costs	6,287		6,437
Directors' fees and remuneration:			
Company's directors	1,044		991
Subsidiaries' directors	743		1,084
Non-audit fees paid to auditors:			
Auditors of the Company	26		67
Other auditors	89		113
Impairment loss on:			
Investment in associate*	-		72
Development property*	72		85
Property, plant and equipment*	-		742
Long-term investments*	488		-
Short-term investments	1,071		-
Reversal of impairment loss arising from:			
Long-term investments*	-		(1,077)
Short-term investments	-		(2,072)
Deficit arising from revaluation of investment properties	2,133		-
Allowance (Write-back of allowance) for inventories ⁽¹⁾	24		(1,324)
Foreign exchange adjustment loss (gain)*	1,988		(1,082)
Gain on disposal of subsidiaries*	-		(4,160)

* These are included in Other Non-Operating Expenses (Income).

⁽¹⁾ Reversal of allowances during the previous financial year arose from an assessment of net realisable value and sale of inventories.

27 DIRECTORS' REMUNERATION

The number of directors of the Company in remuneration bands is as follows:

	2004	2003
\$500,000 and above	1	1
\$250,000 to below \$500,000	-	-
Below \$250,000	8	8
Total	9	9

28 INCOME TAX EXPENSE

	2004	Group 2003
	\$'000	\$'000
Current	6,083	7,090
Deferred	(479)	(1,379)
	5,604	5,711
Under (over) provision in prior years	742	(1,115)
Share of tax attributable to associates	3,491	1,177
	9,837	5,773

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 20% (2003: 22%) to profit before income tax and share of results of associates as a result of the following differences:

	2004	Group 2003
	\$'000	\$'000
Profit before income tax and share of results of associates	30,670	18,432
Tax calculated at a tax rate of 20% (2003: 22%)	6,134	4,055
Non-taxable items	(3,535)	(3,275)
Tax exemption	(102)	(183)
Utilisation of unabsorbed tax losses brought forward	(258)	(554)
Utilisation of unabsorbed capital allowances brought forward	(14)	(74)
Deferred tax asset on tax losses arising during the year not recorded	1,878	3,954
Effect of change in tax rate	(396)	-
Effect of different tax rate of overseas operations	714	374
Others	1,183	1,414
	5,604	5,711
Effective tax rate	18.3%	31.0%

Subject to the agreement with the relevant tax authorities and compliance with certain conditions of the relevant tax legislations, in the respective countries in which the subsidiaries operate, the Group has unabsorbed tax losses and capital allowances totalling approximately \$86,069,000 and \$987,000 respectively (2003: \$90,911,000 and \$847,000 respectively) which are available for set off against future taxable income of the respective subsidiaries. No deferred tax assets has been recognised in respect of unabsorbed tax losses and capital allowances amounting to approximately \$24,493,000 (2003: \$21,514,000) due to unpredictability of future profit stream.

28 INCOME TAX EXPENSE (cont'd)

Group relief:

Subject to the satisfaction of the conditions for group relief, tax losses of \$1,203,000 (2003: \$775,000) and capital allowances of \$415,000 (2003: \$80,000) arising in the current year are transferred to the Company under the group relief system. These tax losses and capital allowances are transferred from certain subsidiaries of the Group at no consideration.

29 EXTRAORDINARY ITEM

This pertains to losses due to property damage for the Group's two resorts in the Republic of Maldives as a result of tidal waves caused by an underwater earthquake in December 2004. Both resorts are covered by comprehensive insurance policies for property damage and business interruption. Such compensation will be recorded as a credit to profit and loss statement only when it becomes receivable.

30 EARNINGS PER SHARE

The calculation of basic earnings per share before extraordinary item is based on the Group profit after income tax and minority interests of \$23,691,000 (2003: \$4,707,000) divided by the weighted average number of ordinary shares of 453,024,410 (2003: 453,024,410) in issue during the year.

Fully diluted earnings per share before extraordinary item is based on 453,171,399 (2003: 453,065,854) ordinary shares assuming the full exercise of outstanding share options (Paragraph 5 of Directors' report) during the year and adjusted group earnings of \$23,691,000 (2003: \$4,707,000) after adjusting the weighted average number of ordinary shares to reflect the effect of all potentially dilutive ordinary shares.

	Group	
	2004 \$'000	2003 \$'000
Net profit attributable to shareholders used to compute basic and fully diluted earnings per share before extraordinary item	23,691	4,707
Net profit attributable to shareholders used to compute basic and fully diluted earnings per share after extraordinary item	21,372	4,707
	No. of shares ('000)	No. of shares ('000)
Weighted average number of ordinary shares used to compute basic earnings per share	453,024	453,024
Adjustment for potential dilutive ordinary shares	147	42
Weighted average number of ordinary shares used to compute fully diluted earnings per share	453,171	453,066
Basic earnings per share before extraordinary item	5.23 cents	1.04 cents
Fully diluted earnings per share before extraordinary item	5.23 cents	1.04 cents
Basic earnings per share after extraordinary item	4.72 cents	1.04 cents
Fully diluted earnings per share after extraordinary item	4.72 cents	1.04 cents

31 DIVIDENDS

The Company declared and paid final dividend of 2.5 cents per ordinary share less tax of 20% on the ordinary shares of the Company totalling \$9,060,488 in respect of the financial year ended December 31, 2003.

Subsequent to December 31, 2004, the directors of the Company recommended that a first and final dividend be paid at 2.5 cents per ordinary share less tax of 20% totalling \$9,060,488, and a special dividend be paid at 2.5 cents per ordinary share less tax of 20% totaling \$9,060,488 for the financial year ended December 31, 2004 on the ordinary shares of the Company. The proposed dividends are not accrued as a liability for the current financial year in accordance with FRS 10 – *Events After The Balance Sheet Date*.

32 CAPITAL COMMITMENTS

	2004 \$'000	Group 2003 \$'000
Capital expenditure not provided for in the financial statements:		
Approved and contracted for	21,027	25,338

33 OPERATING LEASE COMMITMENTS

	2004 \$'000	Group 2003 \$'000
Minimum lease payments under operating lease included in the profit and loss statement	3,797	9,475

As at the balance sheet date, commitments in respect of operating leases for the rental of shop and office premises are as follows:

Future minimum lease payable:

Within 1 year	3,039	2,331
Within 2 to 5 years	8,229	4,909
After 5 years	13,002	9,316
Total	24,270	16,556

34 BUSINESS SEGMENT INFORMATION

a) Description of the Group's diversified business segments:

Hotels

These refer mainly to the operations of the hotels and the shopping galleries of the Group as well as the provision of hotel management services. Income is derived mainly from the rental of rooms and shop units, sale of food and beverage and management fee.

Properties

These refer to the rental and sale operations on completed residential properties and commercial units. Sales and profit from the condominium development projects are recognised based on percentage of completion method.

Distribution and retail

These refer to distribution and retail operations including various food and non-food items.

Others

These refer to activities on quoted and unquoted investments and others.

b) Segment information:

- i) Segment revenue and expenses are revenue and expenses reported in the Group's profit and loss statement that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.
- ii) Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at cost plus a percentage profit mark-up. These transfers are eliminated on consolidation.
- iii) Segment assets are all operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude interest-producing assets.
- iv) Segment liabilities are all operating liabilities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities exclude interest-bearing liabilities and income tax liabilities.
- v) Segment identifiable assets and capital expenditure are analysed based on the location of those assets. Capital expenditure includes the total cost incurred to acquire property, plant and equipment and intangible assets.

34 BUSINESS SEGMENT INFORMATION (cont'd)

c) Information by business segment:

	Hotels		Properties		Retail & Distribution		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE												
External Sales	282,276	213,791	18,013	23,917	19,851	42,152	-	-	-	-	320,140	279,860
Inter-segment sales	-	-	352	352	-	-	-	-	(352)	(352)	-	-
Total revenue	282,276	213,791	18,365	24,269	19,851	42,152	-	-	(352)	(352)	320,140	279,860
RESULTS												
Segment results	38,801	12,628	6,250	15,866	(1,117)	2,326	(404)	84	-	-	43,530	30,904
Interest expense	-	-	-	-	-	-	-	-	-	-	(14,817)	(14,735)
Interest income	-	-	-	-	-	-	-	-	-	-	1,957	2,263
Share of results of associates	605	(224)	7,208	(1,118)	1,549	(2,653)	(2,066)	(96)	-	-	7,296	(4,091)
Income tax expense	-	-	-	-	-	-	-	-	-	-	(9,837)	(5,773)
Minority Interests	-	-	-	-	-	-	-	-	-	-	(4,438)	(3,861)
Extraordinary item	-	-	-	-	-	-	-	-	-	-	(2,319)	-
Net profit											21,372	4,707
OTHER INFORMATION												
Segment assets	1,018,822	983,478	462,101	464,455	7,833	12,508	16,744	19,329	-	-	1,505,500	1,479,770
Investment in equity method associates	43,184	39,972	11,863	33,329	6,707	10,171	2,112	4,179	-	-	63,866	87,651
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	45,810	52,828
Consolidated total assets											1,615,176	1,620,249
Segment liabilities	43,788	51,815	7,717	8,618	2,338	2,570	276	595	-	-	54,119	63,598
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	521,296	581,774
Consolidated total liabilities											575,415	645,372
Capital expenditure	42,720	52,796	4,113	47,781	1,228	2,010	-	-	-	-	48,061	102,587
Depreciation and amortisation	39,209	37,214	925	1,028	1,129	2,129	-	-	-	-	41,263	40,371
Non-cash (income) expenses other than depreciation and amortisation	1,979	(999)	32	(291)	(64)	(1,414)	(248)	56	-	-	1,699	(2,648)
Impairment losses (reversals)	-	(5,168)	72	157	-	50	1,559	2,711	-	-	1,631	(2,250)

34 BUSINESS SEGMENT INFORMATION (cont'd)

d) Information by geographic regions:

	Revenue		Identifiable assets		Total capital expenditure	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	141,529	127,574	939,556	953,140	8,042	5,611
The rest of Asia	147,595	124,731	518,645	473,077	38,931	95,782
Australasia	19,354	15,846	29,282	32,915	603	834
U.S.A.	11,500	11,587	53,688	57,699	481	360
United Kingdom	162	122	28,195	50,590	5	-
Total	320,140	279,860	1,569,366	1,567,421	48,062	102,587

35 SUBSIDIARIES

Information relating to subsidiaries is as follows:

Subsidiary	Principal Activity	Country of Incorporation/ Place of Business	Group's Effective Equity Interest	
			2004 %	2003 %
Held by the Company				
Cleaton Investments Pte Ltd	Investment holding company	Singapore	93.3	93.3
HPL Hotels & Resorts Pte Ltd	Hotel management and investment holding company	Singapore	100	100
HPL Investment & Development Pte Ltd	Investment holding company and letting out of properties	Singapore	100	100
HPL Leisure Holdings Pte Ltd	Investment holding company	Singapore	100	100
HPL Orchard Place Pte Ltd	Investment holding company	Singapore	100	100
HPL Properties Pte Ltd	Property development, hotelier and investment holding company	Singapore	100	100
HPL Properties (Australasia) Pte Ltd	Investment holding company	Singapore	100	100

35 SUBSIDIARIES (cont'd)

Subsidiary	Principal Activity	Country of Incorporation/ Place of Business	Group's Effective Equity Interest	
			2004 %	2003 %
HPL Properties (SEA) Pte Ltd	Investment holding company	Singapore	100	100
HPL Properties (West) Pte Ltd	Investment holding company	Singapore	100	100
HPL Properties (West Asia) Pte Ltd	Investment holding company	Singapore	100	100
HPL Singapore Pte Ltd	Investment holding company	Singapore	100	100
HPL Tourism & Leisure Pte Ltd	Investment holding company	Singapore	100	100
Luxury Holdings Pte Ltd	Investment holding company	Singapore	85	85
Maxford Investments Pte Ltd	Investment holding company	Singapore	100	100
Pinedale Holdings Pte Ltd	Investment holding company	Singapore	100	100
Poussain Pte Ltd	Dormant	Singapore	50	50
Super Vista Sdn Bhd ¹	Hotelier	Malaysia	100	100
<u>Held by subsidiaries of the Company</u>				
21 st Century Holdings Pte Ltd	Investment holding company	Singapore	100	100
Admor Investments Pte Ltd	Property development	Singapore	100	100
Alkaff Mansion Pte Ltd	Dormant	Singapore	100	100
Allegro Investments Pte Ltd	Investment holding company	Singapore	100	100
Amberwood Investments Pte Ltd	Investment holding company	Singapore	100	100
Apsara Holdings Cambodia Company Limited ⁶	Investment holding company	Cambodia	80	80
Apsara Holdings Private Limited	Investment holding company	Singapore	80	80

35 SUBSIDIARIES (cont'd)

Subsidiary	Principal Activity	Country of Incorporation/ Place of Business	Group's Effective Equity Interest	
			2004 %	2003 %
Asia Hotel Growth Fund ¹	Hotelier	Thailand	100	100
Astrid Holdings Co., Ltd ^{1##}	Investment holding company	Thailand	49**	-
Bayford Investments Pte Ltd	Investment holding company	Singapore	100	100
Baywood Investments Pte Ltd	Investment holding company	Singapore	100	100
Berkley Investments Pte Ltd	Investment holding company	Singapore	100	100
Cleaton International B.V. ⁶	Investment holding company	Netherlands	93.3	93.3
Concorde Hotels & Resorts (Malaysia) Sdn Bhd ¹	Hotel management	Malaysia	100	100
Coralbell Pty Ltd ¹	Investment holding company	Australia	100	100
Eastpoint Investments Limited ¹	Investment holding company	United Kingdom	100	100
Hard Rock Hotels & Resorts Management Pte Ltd	Hotel management	Singapore	80	80
Hotel Holdings USA Inc ⁵	Investment holding company	U.S.A.	100	100
HPL (Brash) Holdings Pte Ltd	Dormant	Singapore	100	100
HPL (Eaton) Ltd ¹	Operation of serviced apartments	United Kingdom	100	100
HPL Hotels Pty Ltd ⁴	Provision of administrative services	Australia	100	100
HPL Investors Pte Ltd	Trading in quoted investments and share dealing	Singapore	100	100
HPL Investments (1990) Pte Ltd	Property development and investment holding company	Singapore	100	100

35 SUBSIDIARIES (cont'd)

Subsidiary	Principal Activity	Country of Incorporation/ Place of Business	Group's Effective Equity Interest	
			2004 %	2003 %
HPL Marketing Sdn Bhd ¹	Food distribution and retail	Malaysia	100	100
HPL Properties (North Asia) Pte Ltd	Investment holding company	Singapore	100	100
HPL Resorts (Maldives) Pvt Ltd ²	Hotelier and investment holding company	Maldives	70	70
HPL Retail Pte Ltd	Trading in quoted investments and investment holding	Singapore	100	100
HPL Services Pte Ltd	Privilege card services operations and investment holding company	Singapore	100	100
HPL Sri Lanka Holdings Pte Ltd	Investment holding company	Singapore	100	100
HPL (UK) Limited ¹	Provision of information and services	United Kingdom	100	100
Landaa Giraavaru Private Limited ¹	Construction manager and investment holding company	Hong Kong/ Maldives	70	70
Luxury Complex Pte Ltd	Investment holding company	Singapore	85	85
Luxury Hotels (1989) Pte Ltd	Hotelier	Singapore	85	85
Luxury Properties Pte Ltd	Investment holding company	Singapore	85	85
MAT Maldives Pvt Ltd ^{2@}	Hotelier	Maldives	66.5	35
McMing Investments Pte Ltd	Investment holding company	Singapore	100	100
McShope Investments Pte Ltd	Investment holding company	Singapore	100	100
Minwyn Investments Pte Ltd	Investment holding company	Singapore	100	100

35 SUBSIDIARIES (cont'd)

Subsidiary	Principal Activity	Country of Incorporation/ Place of Business	Group's Effective Equity Interest	
			2004 %	2003 %
Moonstone Investments Pte Ltd	Investment holding company	Singapore	100	100
Nawarat Land Pte Ltd	Investment holding company	Singapore	70	70
NYC 55., Corp. ⁴	Hotelier	U.S.A.	100	100
OP Investments Pte Ltd	Investment holding company	Singapore	100	100
Pebble Bay (Thailand) Co. Ltd ³	Property development	Thailand	74	39**
Pinedale Trading (Macau) Limited [#]	Dormant	Macau	-	100
Pinedale Trading Pte Ltd	Food distribution and retail and investment holding company	Singapore	100	100
PT Amanda Arumdhani ²	Hotelier	Indonesia	100	95
PT Amanda Citra ²	Retailer	Indonesia	80	80
PT Amanda Natha ²	Hotelier	Indonesia	100	100
PT Amanda Pramudita ²	Hotelier	Indonesia	81	76
PT Amanda Surya ²	Investment holding company	Indonesia	100	100
PT Bali Girikencana ¹	Hotelier	Indonesia	93.3	70
Quin Properties Pte Ltd	Investment holding company	Singapore	100	100
Scoops Cafe Pte Ltd	Investment holding company	Singapore	100	100
Seaside Hotel (Thailand) Co. Ltd ¹	Hotelier	Thailand	74	49**
Seaside Properties (Thailand) Co. Ltd ³	Hotelier	Thailand	74	49**
South West Pacific Investments Limited ⁴	Hotelier/Casino operator	Vanuatu	100	100

35 SUBSIDIARIES (cont'd)

Subsidiary	Principal Activity	Country of Incorporation/ Place of Business	Group's Effective Equity Interest	
			2004 %	2003 %
Sovereign Builders & Development Sdn Bhd ^{1##}	Investment holding company	Malaysia	100	-
Supreme Prospects Sdn Bhd ¹	Hotelier	Malaysia	100	100
Suseem Pty Ltd ¹	Hotelier	Australia	100	100
Travel Bug Touring Pte Ltd	Investment holding company	Singapore	100	100
Wesclove Investments Pte Ltd	Investment holding company	Singapore	80	80
Xspand Investments Pte Ltd	Investment holding company	Singapore	100	100
Yarra Investments Pte Ltd	Investment holding company	Singapore	100	100

All companies are audited by Deloitte & Touche, Singapore except for the following:

- 1 Audited by overseas practices of Deloitte Touche Tohmatsu
- 2 Audited by overseas practices of KPMG International
- 3 Audited by overseas practices of Ernst & Young
- 4 Audited by overseas practices of BDO International B.V.
- 5 Audited by Cohen & Schaeffer P.C.
- 6 Not required to be audited by law in country of incorporation and subsidiary not considered material.

Liquidated during the financial year.

Acquired during the financial year.

** These companies are considered subsidiaries as the Group has the power to determine and control the financial and operating policies of the companies.

@ During the financial year, the Group acquired an additional 31.5% equity interest in MAT Maldives Pvt Ltd, increasing the effective equity interest from 35% to 66.5%. This company was classified as an associate in the previous financial year as the Group's effective equity interest was then 35%.

In the nine months (since month of acquisition) to December 31, 2004, MAT Maldives Pvt Ltd contributed \$467,000 to the profit of the Group.

36 ASSOCIATES

Information relating to significant associates is as follows:

Associate	Principal Activity	Country of Incorporation/ Place of Business	Group's Effective Equity Interest	
			2004 %	2003 %
<u>Held by subsidiaries of the Company</u>				
Canary Riverside Development Pte Ltd ¹	Real estate developer, agent and lessor	Singapore/ United Kingdom	37.5	37.5
Canary Riverside Holdings Pte Ltd ¹	Investment holding company	Singapore/ United Kingdom	37.5	37.5
HRC Holdings Pte Ltd	Investment holding company	Singapore	50	50
Leisure Ventures Pte Ltd	Investment holding company	Singapore	50	50
Shanghai Ning Xin Real Estate Development Co. Ltd ¹	Property developer	People's Republic of China	16.49	16.49

All companies are audited by Deloitte & Touche, Singapore except for the following:

1 Audited by KPMG, Singapore or its overseas practices

37 RECLASSIFICATION AND COMPARATIVE FIGURES

Distribution costs of \$2,729,000 for the financial year ended December 31, 2003 was reclassified as other operating expenses to enhance comparability with current year's financial statements following the disposal of certain subsidiaries in 2003.

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company set out on pages 12 to 51 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2004 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Peter Y. S. Fu

Ong Beng Seng

March 8, 2005

Additional Information

CORPORATE GOVERNANCE REPORT

The Board of Hotel Properties Limited has adopted the measures and practices as set out in the Code of Corporate Governance for listed companies in Singapore issued by the Singapore Exchange Securities Trading Limited ("SGX").

BOARD OF DIRECTORS

Principle 1 : Board's Conduct of its Affairs

The Board meets at least four times a year and as warranted by circumstances. The Company's Articles of Association provides for telephonic and videoconference meetings. The number of meetings held in the year and the attendance of the directors is as follows:

Name of Directors	HPL Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended
Peter Y. S. Fu (Alternate: David Fu Kuo Chen)	4	3	N.A.	N.A.	N.A.	N.A.	1	1
Ong Beng Seng	4	4	N.A.	N.A.	1	1	N.A.	N.A.
Christopher Lim Tien Lock	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Joseph Grimberg	4	4	N.A.	N.A.	1	1	1	1
Gordon Seow Li Ming	4	3	4	3	N.A.	N.A.	1	1
Arthur Tan Keng Hock	4	4	4	4	N.A.	N.A.	N.A.	N.A.
Leslie Mah Kim Loong	4	4	4	4	N.A.	N.A.	N.A.	N.A.
Michael S. Dobbs-Higginson	4	2	N.A.	N.A.	1	1	N.A.	N.A.

N.A. = Not Applicable

The Board is responsible for:

- approving the broad policies, strategies and financial objectives of the Group and monitoring its performance;
- approving major funding proposals, investment, disposals and capital expenditure;
- reviewing the Group's financial performance and authorising announcements issued by the Company;
- overseeing the processes for evaluating the adequacy of internal controls and risk management;
- approving the nominations of board directors; and
- assuming responsibility for corporate governance and compliances with the Singapore Companies Act and the rules and requirements of regulatory bodies.

Matters which are specifically reserved to the full Board for decisions are those involving material acquisitions and disposals of assets, corporate or financial restructuring and share issuances and dividends. Additionally, the Board delegates certain of its functions to the Committee of Directors, Audit, Nominating and Remuneration Committees.

The Committee of Directors was established in May 1993 and comprises three directors and an alternate director, namely Messrs Peter Y. S. Fu (alternate: David Fu Kuo Chen), Ong Beng Seng and Christopher Lim Tien Lock. The Committee of Directors is authorised and delegated by the Board to approve and/or carry into effect certain operational and administrative matters as stipulated in the Regulations of the Committee of Directors.

The Company worked closely with its company secretaries to provide its directors with regular updates on the latest governance and listing policies.

Principle 2 : Board Composition and Balance

The Board comprises eight directors and one alternate director of whom two are executive directors, two non-executive and non-independent directors and five non-executive and independent directors.

The Chairman of the Board is Mr Peter Y. S. Fu (non-executive and non-independent). His alternate director is Mr David Fu Kuo Chen (non-executive and non-independent).

The executive directors are Mr Ong Beng Seng (Managing Director) and Mr Christopher Lim Tien Lock (Group Executive Director).

The majority of our Directors are non-executive and independent of management and include professionals with legal, financial and commercial backgrounds. This provides the management with the benefit of an external diverse and objective perspective of issues that are brought before the Board.

Key information regarding the directors of the Company is provided as follows:-

Mr Peter Y. S. Fu

Date of appointment as Director	:	March 5, 1980
Date of last re-election	:	April 29, 2004
Nature of Appointment	:	Non-executive and Non-independent
Board Committees served on	:	Member of Nominating Committee since November 1, 2002

Mr Peter Y. S. Fu has been the Chairman of the Company since 1980. He is the founder and Chairman of the Kuo Group, which has extensive interests in hotels, hotel management, real estate, international oil trading and shipping industries.

Mr Ong Beng Seng

Date of appointment as Director	:	March 5, 1980
Date of last re-election	:	Managing Director is not subject to retirement by rotation (Article 77 of the Company's Articles of Association)
Nature of Appointment	:	Managing Director
Board Committees served on	:	Member of Remuneration Committee since November 1, 2002

Mr Ong Beng Seng is the co-founder of the Company with 30 years of experience in the hotel and property development, hotel management, real estate and retail industries. He is responsible for all aspects of strategic planning and business development activities of the HPL Group. He joined Motor & General Underwriters Investment Holdings Ltd in 1972. In 1977, Mr Ong joined his father-in-law, Mr Peter Y. S. Fu in Kuo International as an oil trader. The move thrust him into hotel and property development. Mr Ong is an associate member of the Chartered Insurance Institute of England.

Mr Christopher Lim Tien Lock

Date of appointment as Director : January 7, 1998
Date of last re-election : May 23, 2001
Nature of Appointment : Group Executive Director

Mr Christopher Lim was appointed on January 7, 1998 as Group Executive Director. He was an alternate Director to Mr Ong Beng Seng from 1995 till 1998. He graduated from the National University of Singapore with a bachelor's degree in Business Administration. Prior to joining HPL in 1989, he held the position of Director and Head of Corporate Finance of NM Rothschild and Sons Singapore Limited. He is overall in charge of the Group's strategy implementation and operations matters.

Mr Joseph Grimberg

Date of appointment as Director : March 21, 1991
Date of last re-election : April 29, 2004
Nature of Appointment : Non-Executive and Independent
Board Committees served on : Chairman of the Remuneration Committee since November 1, 2002
Member of the Nominating Committee since November 1, 2002

Mr Joseph Grimberg joined Drew & Napier in 1957. He was senior Partner of Drew & Napier prior to being appointed a Judicial Commissioner of the Supreme Court of Singapore from 1987 to 1989. Upon completion of his term of office, he returned to Drew & Napier as Senior Consultant to the firm. He has an active practice as Arbitrator and Mediator in a wide variety of disputes. Mr Grimberg has a B.A.(Law) from England and is a Barrister-at-law. He also served as Fellow of the Singapore Academy of Law, Member of the Singapore Academy of Law, Arbitrator of the ICC International Court of Arbitration, Paris, Member of the Permanent Court of Arbitration, The Hague, Member of the Chartered Institute of Arbitrators, Member of the Panel of Arbitrators, Singapore International Arbitrator Centre and Fellow of the Singapore Institute of Arbitrators. He also sits on the boards of Jurong Cement Limited and F.J. Benjamin Holdings Limited.

Mr Gordon Seow Li Ming

Date of appointment as Director : February 3, 1993
Date of last re-election : April 29, 2004
Nature of Appointment : Non-Executive and Independent
Board Committees served on : Chairman of the Nominating Committee since November 1, 2002
Member of the Audit Committee since March 11, 1997

Mr Gordon Seow, a Barrister-at-law from Lincoln's Inn, was Singapore's Commissioner to Hong Kong between 1988 and 1994. He retired in October 1987 as Director and Regional Trading Manager of Shell Eastern Petroleum (Pte) Ltd after thirty years with the company. He joined the Pacific Century Group as Senior Advisor from 1994 to 1999. Mr Seow sits on the board of Pacific Century Regional Developments Limited.

Mr Michael S. Dobbs-Higginson

Date of appointment as Director	:	February 3, 1993
Date of last re-election	:	May 28, 2003
Nature of Appointment	:	Non-Executive and Independent
Board Committees served on	:	Member of the Remuneration Committee since November 1, 2002

Mr Dobbs-Higginson was formerly a member of the Executive Committee of Credit Suisse First Boston and was responsible for its business activities in the Asia Pacific region. Subsequently, he joined Merrill Lynch & Co., and became a member Merrill Lynch's Capital Markets Executive Committee in New York and was based in Hong Kong as Chairman of the Asia Pacific region. He was also a member of Merrill Lynch Capital Markets Compensation Committee in New York. He has business interests primarily in technology and a variety of strategic investments. Mr Dobbs-Higginson has also been advisor to the Chairman and President of Banque Indosuez, Paris and the Bangkok Bank Company Public Limited, Thailand. In addition, he has published two books titled "Asia Pacific and its Role in the New World Disorder" and "The Investment Manual for Fixed Income Securities in the International and major Domestic Capital Markets". He attended the Trinity College, Ireland, the Kyoto University, Japan and the School of Oriental and African Studies, London University.

Mr Arthur Tan Keng Hock

Date of appointment as Director	:	July 5, 1996
Date of last re-election	:	May 28, 2002
Nature of Appointment	:	Non-Executive and Independent
Board Committees served on	:	Chairman of the Audit Committee since March 13, 1997 Member of the Audit Committee since July 5, 1996

Mr Arthur Tan is the Managing Director of Advance Investment Management Capital Pte Ltd. Mr Tan, who has been an investment banker for over 15 years, has held senior management positions such as Managing Director of Smith New Court (Thailand) Co. Ltd, Director of Merrill Lynch (Singapore) Pte Ltd, Director, Corporate Finance, of Schroders International Merchant Bank Limited, Executive Director of Guthrie GTS Limited and a Director of Ideal Pacific Holdings Limited in Hong Kong. He graduated from the National University of Singapore with a bachelor's degree in Business Administration.

Mr Leslie Mah Kim Loong

Date of appointment as Director	:	August 5, 1997
Date of last re-election	:	April 29, 2004
Nature of Appointment	:	Non-Executive and Independent
Board Committees served on	:	Member of the Audit Committee since November 1, 2002

Mr Leslie Mah is the Chief Financial Officer of Eu Yan Sang International Group and Company Secretary of Eu Yan Sang International Limited. He is a fellow member of the Institute of Chartered Accountants in England and Wales. Prior to joining Eu Yan Sang International, Mr Mah was Executive Director and Company Secretary for Cerebos Pacific Limited for 15 years. Prior to his tenure at Cerebos, he was Finance Director at Harper Gilfillan Limited for 10 years.

Mr David Fu Kuo Chen

Date of appointment as Director	:	August 23, 1995 (Alternate to Mr Peter Fu Yun Siak)
Date of last re-election	:	Alternate Director not subject to rotation
Nature of Appointment	:	Non-Executive and Non-Independent
Board Committees served on	:	Member of Nominating Committee (Alternate to Mr Peter Fu Yun Siak since November 1, 2002)

Mr David Fu is a director of Kuo Properties Pte Ltd. He graduated from the University of Southern California with a degree in Engineering and has extensive experience in property development and investment in USA and Singapore. He also sits on the board of Natsteel Ltd.

The Nominating Committee annually reviews the composition of the Board and independence of each director.

The Nominating Committee is of the view that the current board size of eight directors and one alternate director is appropriate after taking into account the nature and scope of the Group's operations.

Having regard to the depth and breadth of commercial knowledge, management expertise as well as business experiences of the individual directors, the Nominating Committee is of the view that the current Board comprises persons who as a group, provide core competencies necessary to govern and manage the Group's affairs.

Principle 3 : Role of Chairman and Managing Director

The Company has a separate Chairman and Managing Director. The Chairman is a non-executive and non-independent director who, either personally or through his alternate, bears responsibility for the workings of the Board while the Managing Director is the most senior executive in the Company who bears executive responsibility for the management of the Company and Group. The Chairman, Managing Director and Group Executive Director set the board meeting agenda in consultation with the other directors. Both the Chairman and Managing Director are responsible for the conformity by management to Corporate Governance policies as laid down by the Board.

BOARD COMMITTEES

To facilitate effective management, certain functions have been delegated to various Board committees, each with its own terms of reference.

NOMINATING COMMITTEE

Principle 4 : Board Membership

Principle 5 : Board Performance

The Nominating Committee was formed on November 1, 2002 and comprises three non-executive directors of whom two are independent directors. The Nominating Committee is chaired by Mr Gordon Seow Li Ming. The other members are Mr Joseph Grimberg and Mr Peter Y. S. Fu (Alternate : Mr David Fu Kuo Chen).

The Nominating Committee's role is to establish an objective and transparent process for:

- the appointment or re-appointment of members of the Board and of the various Board committees;

- evaluating and assessing the effectiveness of the Board as a whole, and the contribution by each individual director to the effectiveness of the Board;
- determining the independence of directors; and
- reviewing the multiple board representations of each director individually (if any) to ensure that sufficient time and attention is given to the affairs of the Company.

New directors are appointed by way of a board resolution, after the Nominating Committee has reviewed and nominated them for appointment. Such new directors submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company. Article 80 of the Company's Articles of Association requires at least one third of the Board to retire by rotation at every AGM, except that the Managing Director is not subject to retirement by rotation.

For the purpose of its evaluation of the directors' performance, the Nominating Committee takes into consideration the Company's stock price performance against STI Index, indices of other related sectors and other quantitative considerations in comparing Company's performance with its industry peers.

The Nominating Committee may, in consultation with the Board, consider the inclusion of other performance criteria which is appropriate for the continuing evaluation of the performance of the Board in future.

AUDIT COMMITTEE

Principle 11 : Audit Committee

Principle 12 : Internal Controls

The Audit Committee was formed in 1991 and was re-constituted on November 1, 2002 in compliance with the spirit of the Code of Corporate Governance.

The Audit Committee comprises three non-executive directors namely, Mr Arthur Tan Keng Hock, Mr Gordon Seow Li Ming and Mr Leslie Mah Kim Loong, all of whom are independent directors. The Audit Committee is chaired by Mr Arthur Tan Keng Hock, an independent director, who was an investment banker for over 15 years. The other members of the Audit Committee have many years of experience in accounting, finance and business management.

The Audit Committee performs the following main functions:

- reviews with the external auditor, their audit plan, and results of their examination and evaluation of the Group's system of internal accounting controls, impact of new, revised or proposed changes in accounting policies, legislation and regulations;
- reviews with the internal auditors, the scope and results of internal audit procedures and their evaluation of the internal control systems.
- reviews the quarterly and full year announcements on the results and financial position of the Company and the Group and the financial statements of the Company and consolidated financial statements of the Group prior to their submission to the Board;
- reviews interested party transactions;
- reviews the co-operation given by the Company's officers to the internal and external auditors; and
- makes recommendations to the Board on the appointment of the internal and external auditors.

The Audit Committee meets the external auditors (without the presence of the Company's management) at least once a year.

The Audit Committee received co-operation from the management and was not obstructed or impeded by management in carrying out its functions during the year. Throughout the year, there was no instance of any suspected misdeed or irregularity, which was likely to have a material impact on the Group's operating results and financial position.

The Audit Committee has full discretion to invite any director or executive officer of the Company to attend its meetings.

The Audit Committee has reviewed the Group's risk management and, based on the audit reports and management controls in place, is satisfied that there are adequate internal controls in the Group.

The Audit Committee has conducted an annual review of all non-audit services by the auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors.

Principle 13: Internal Audits

The Audit Committee is tasked to oversee the implementation of an effective system of internal controls as well as putting in place a risk management framework to continually identify, evaluate and manage significant business risks of the Group. The Audit Committee has the mandate to authorise special reviews or investigations, where appropriate, in discharging its responsibility.

The internal audit function is currently outsourced to LTC & Associate who reports directly to the Audit Committee. The internal auditors support the Audit Committee in their role to assess the effectiveness of the Group's overall system of operational and financial controls as well as assist in the implementation of a risk management framework.

The Audit Committee reviews and approves the internal audit plan proposed by the internal auditors. Material non-compliance and internal control weaknesses noted during the internal audits are reported together with the internal auditors' recommendations to the Audit Committee periodically.

REMUNERATION COMMITTEE

Principle 7 : Procedures for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

Principle 9 : Disclosure on Remuneration

The Remuneration Committee was formed on November 1, 2002 and comprises three directors, of whom two are non-executive and independent directors.

The Remuneration Committee is chaired by Mr Joseph Grimberg, a non-executive and independent director. The other members are Mr Michael S. Dobbs-Higginson and Mr Ong Beng Seng.

The Remuneration Committee's principal responsibilities are to:

- review periodically and recommend to the Board an appropriate framework of compensation practices to attract, retain and motivate management staff of the required calibre to manage the Group successfully;
- review and recommend senior management remuneration package and those of the executive directors whose remuneration packages include a variable bonus component which is performance-related, and also stock options which have been designed to align their interests with those of the shareholders;

- review the recommendation of the executive directors, for approval of the Board, the directors' fees and such payment as may be payable pursuant to Article 73 of the Company's Articles of Association; and
- administer the Hotel Properties Limited Executives' Share Option Scheme which was approved by the shareholders on June 23, 2000 ("Scheme 2000"). Any matter pertaining or pursuant to the Scheme 2000 and any dispute and uncertainty as to the interpretation of the Scheme 2000, any rule, regulation or procedure thereafter or any rights under the Scheme 2000 shall be determined by the Remuneration Committee.

While none of the members of the Remuneration Committee specialise in the area of executive compensation, the Committee is entitled to have access to independent industry data and professional advice if necessary. Moreover, they have unrestricted access to the Company's records and information so as to enable them to carry out their duties.

The remuneration for executive directors and senior management is structured to link rewards to corporate and individual performance. The remuneration policy for executive directors and senior management staff consists of both a fixed and variable components. The fixed component includes salary and pension fund contributions. The variable component comprises a bonus element and share options which are performance-based.

Non-executive directors are paid directors' fees, subject to approval at the AGM. No director is involved in deciding his own remuneration.

The Remuneration Committee recommends the payment of the directors' fees to be approved by shareholders at the Annual General Meeting of the Company. A breakdown, showing the level and mix of each individual director's remuneration payable for FY2004 is as follows:

Directors' Remuneration	Fee ** %	Salary %	Bonus %	Other benefits* %	Total %
i) Between \$500,000 to \$750,000					
Christopher Lim Tien Lock	4%	64%	15%	17%	100%
ii) Below \$250,000					
Peter Y. S. Fu	100%	-	-	-	100%
Ong Beng Seng	62%	-	-	38%	100%
Joseph Grimberg	100%	-	-	-	100%
Gordon Seow Li Ming	100%	-	-	-	100%
Michael S. Dobbs-Higginson	100%	-	-	-	100%
Arthur Tan Keng Hock	100%	-	-	-	100%
Leslie Mah Kim Loong	100%	-	-	-	100%
David Fu Kuo Chen	100%	-	-	-	100%

* excluding share options which are disclosed in the Directors' Report.

** these fees are subject to approval by shareholders as a lump sum at the AGM for FY2004.

Non-executive directors have no service contracts and their terms are specified in the Articles.

The Remuneration Committee administers Scheme 2000 in accordance with the rules as approved by shareholders. Executive directors (except Mr Ong Beng Seng who is also a deemed substantial shareholder of the Company) were granted share options under the Scheme but not non-executive directors. The Company holds the view that, at this point in its development, the interests of maintaining the objectivity and independence of the non-executive directors is best served by a cash-based remuneration package. The objectives of Scheme 2000 are to motivate the executives

of the Group to optimise their performance standards and efficiency and to retain key executives whose contributions are important to the long term growth and profitability of the Group.

The aggregate nominal amount of shares over which the Remuneration Committee may grant options on any date, when added to the nominal amount of shares issued and issueable in respect of all options granted under Scheme 2000 shall not exceed 15 per cent of the issued share capital of the Company on the date preceding that date. In granting options to the executives, the Remuneration Committee takes into account criteria such as the individual's rank, performance, years of service and potential for future development.

Other details of the Scheme 2000 are found in the Directors' Report.

The information required for the annual remuneration report is provided herein and in the Directors' Report. The payment of directors' fees is subject to shareholders' approval.

REMUNERATION OF KEY EXECUTIVES

The Code requires the remuneration of at least the top 5 key executives who are not also directors to be disclosed within bands of S\$250,000. The Company believes that disclosure of the remuneration of individual executives is disadvantageous to its business interest, given the highly competitive industry conditions, where poaching of executives has become commonplace in a liberalised environment.

Principle 6 : Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, management provides the Board members with financial statements. In addition, all relevant information on material events and transactions are circulated to directors as and when they arise. Whenever necessary, senior management staff will be invited to attend the Board meetings to answer queries and provide detailed insights into their areas of operations.

The directors are kept informed by the executive directors on the status of on-going activities between meetings. Where a decision has to be made before a Board meeting, a circulating directors' resolution is done in accordance with the Articles of Association of the Company and the directors are provided with all necessary information to enable them to make informed decisions.

In addition, directors have separate and independent access to the advice and services of the company secretaries, who are responsible to the Board for ensuring board procedures are followed and advising on the implementation of compliance requirements pursuant to the relevant statutes and regulations. The company secretary attends all board and committee meetings.

Each director also has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their roles and responsibilities as directors.

COMMUNICATION WITH SHAREHOLDERS

Principle 10 : Accountability and Audit

Principle 14 : Communication with Shareholders

Principle 15 : Greater Shareholder Participation

The Company does not practise selective disclosure. Price sensitive announcements including quarterly and full-year results are released through SGXNET and subsequently posted on the Company's website. All shareholders of the Company receive the Annual Report and notice of AGM which can be accessed from the Company's website. At AGMs, shareholders are given the opportunity to air their views and ask questions regarding the Group and its businesses.

The Articles of Association of the Company allow a member of the Company to appoint one or two proxies to attend and vote instead of the member.

INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out procedures for review and approval of the Company's interested person transactions. Details of the significant interested person transactions for the financial year ended 31 December 2004 are as follows:

Name of Interested Person	Aggregate value of all IPT during the financial year ended December 31, 2004 (excluding transactions below \$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920) \$'000	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions below \$100,000) \$'000
* Associates of		
Mr Peter Y. S. Fu/ Mr Ong Beng Seng/ Mr David Fu Kuo Chen		
Rental Income	8,218	-
Management Fee income	640	-
Management Fee expense	724	-

All the above interested person transactions were done on commercial terms.

Save as disclosed, there were no other material contracts entered into by the Company and its subsidiaries involving the interest of the director, chief executive officer or controlling shareholder and his/their associates.

Note:

- * "Associate" in relation to a director, chief executive officer or controlling shareholder means
 - his immediate family;
 - the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

DEALINGS IN SECURITIES

The Company's internal Code on Dealings in Securities by Directors and employees adopt the guidelines issued by the SGX in the Best Practice Guide with respect to Dealings in Securities. The guidelines have been disseminated to the directors, officers and key employees of the Group.

PARTICULARS OF GROUP PROPERTIES

The main properties as at December 31, 2004 are as follows:

A Classified as Group Property, Plant and Equipment (Note 16 to the financial statements)

	Land \$'000	Buildings \$'000	Leasehold Property \$'000
FREEHOLD AND LONG-TERM LEASEHOLD			
Singapore			
A 24-storey hotel building with 423 rooms/suites (known as Hilton Singapore) at 581 Orchard Road, Singapore 238883 (lease expires 999 years from October 30, 1871)	208,800	10,771	-
United Kingdom			
2 apartment units at Canary Riverside, 38 Westferry Circus, London, United Kingdom (lease expiring 999 years from February 5, 1997)	-	1,721	-
Total Freehold and Long-term Leasehold	208,800	12,492	-
FREEHOLD			
Singapore			
A 20-storey hotel building with 257 rooms/suites (known as Four Seasons Hotel Singapore) at 190 Orchard Boulevard, Singapore 248646	50,000	105,091	-
A 9-storey building (known as HPL House) at 50 Cuscaden Road, Singapore 249724	76,000	14,639	-
Malaysia			
A plot of land located at Port Dickson, Negeri Sembilan, Malaysia	9,084	-	-
Thailand			
A 10-storey hotel building with 325 rooms (known as Hard Rock Hotel Pattaya) at Pattaya Beach Road, Cholburi, Thailand	11,714	20,110	-
2 inter-connecting hotel buildings of 10 and 11 storeys with 174 rooms (known as The Metropolitan, Bangkok) at 28 South Sathorn Road, Bangkok, Thailand	13,514	37,432	-
A plot of land located at South Sathorn Road, Bangkok, Thailand	46,996	470	-
A condominium unit at Sathorn Park Place, Bangkok, Thailand	-	462	-
Australia			
A hotel building with 199 rooms (known as Concorde Hotel Gold Coast) at Ferny Avenue, Surfers Paradise, Queensland, Australia	4,224	14,726	-
United States of America			
A hotel building with 124 rooms (known as Fitzpatrick Hotel) at 127 East, 55th Street, New York City, New York, U.S.A.	10,209	33,344	-
Total Freehold	221,741	226,274	-

A Classified as Group Property, Plant and Equipment (Note 16 to the financial statements) (cont'd)

	Land \$'000	Buildings \$'000	Leasehold Property \$'000
LEASEHOLD			
Singapore			
A 9-storey hotel building with 407 rooms/suites (known as Le Meridien Singapour) at 100 Orchard Road, Singapore 238840 (lease expiring 99 years from August 17, 1979)	-	-	95,852
Malaysia			
A 3-storey holiday resort (known as The Lake House) at Ringlet, Cameron Highlands, Malaysia (lease expiring 99 years from September 19, 1940)	414	474	-
Indonesia			
A resort hotel with 147 villas (known as Four Seasons Resort Bali at Jimbaran) located at Bukit Permai, Jimbaran, Denpasar 80361, Bali, Indonesia (2 leases expiring 30 years from September 14, 1991 and October 30, 1991 respectively)	77,732	9,883	-
A resort hotel with 60 villas (known as Four Seasons Resort Bali at Sayan) located at Sayan Village, District of Ubud, Bali, Indonesia (lease expiring 30 years from August 4, 1994 with an option to extend for another 30 years)	1,593	44,545	-
A holiday resort with 418 rooms (known as Hard Rock Hotel Bali) located at Kuta Village, Bali, Indonesia (lease expiring 30 years from October 31, 1996 with an option to extend for another 30 years)	5,871	75,468	-
A resort hotel with 9 villas (known as Four Seasons Private Estates at Jimbaran Bay) located at Jimbaran Village, Bali, Indonesia (lease expiring 30 years from June 27, 1996 with an option to extend for another 30 years)	1,958	5,977	-
Vanuatu			
A holiday resort (known as Le Meridien Port Vila Resort and Casino) located at Port Vila, Vanuatu (2 leases expiring 75 years from July 13, 1980 and July 8, 1992 respectively)	1,333	7,067	-
Maldives			
A resort (known as Four Seasons Resort Maldives at Kuda Huraa) located at North Male' Atoll, Republic of Maldives (lease expiring 21 years from May 1, 1994)	6,682	16,571	-
A resort (known as Rihiveli Resort) located at Kaafu Atoll, Republic of Maldives (lease expiring 20 years from December 1, 1995)	-	219	-
Total Leasehold	95,583	160,204	95,852
TOTAL (Classified as Group Property, Plant and Equipment)	526,124	398,970	95,852

B Classified as Group Investment Properties (Note 17 to the financial statements)

Property Description/Location	Title	Net Lettable Area (sqm)	Effective Stake (%)
Singapore			
5 shop units at 21 Cuscaden Road, Ming Arcade, Singapore 249720	Freehold	697	100
1 shop unit at 100 Orchard Road, Meridien Shopping Centre, Singapore 238840	Leasehold 99 years from August 17, 1979	132	100
2 shop units at 150 Orchard Road, Orchard Plaza, Singapore 238841	Leasehold 99 years from June 2, 1977	1,182	100
61 shop units at 100 Orchard Road, Meridien Shopping Centre, Singapore 238840	Leasehold 99 years from August 17, 1979	7,575	85
Office and shop units at 583 Orchard Road, Singapore 238884	Freehold	16,557	59
People's Republic of China			
1 commercial and 15 residential units at Shun Hing Square, Shenzhen People's Republic of China	Leasehold 50 years from January 2, 1995	2,277	100

C Classified as Development Properties (Note 10 to the financial statements)

Location	Title	Expected Year of Completion	Site Area (sqm)	Proposed Gross Floor Area (sqm)	Effective Stake (%)	Description and Existing Use
RESIDENTIAL						
Singapore						
Lot 263-12 (99275L), Lot 263-11 (99276C), Lot 263-10 (99277M), and Lot 263-9 (99278W) in Town Sub-division 21 at Robertson Quay, Singapore	Freehold	2006	1,978	5,538	100	Proposed commercial/residential development comprising a 10-storey residential apartment (36 units) and a single storey commercial building

C Classified as Development Properties (Note 10 to the financial statements) (cont'd)

Location	Title	Expected Year of Completion	Site Area (sqm)	Proposed Gross Floor Area (sqm)	Effective Stake (%)	Description and Existing Use
HOTEL/LEISURE						
Cambodia						
Siemreap Province Siemreap Town Division 3 Section 1 Cambodia	Leasehold (70 years from August 10, 1994 and March 21, 1996 respectively)	Not yet started	38,721	-	80	Land for redevelopment

D Classified as Completed Properties Held for Sale (Note 11 to the financial statements)

Property Description/Location	Title	Net Lettable Area (sqm)	Effective Stake (%)
Singapore			
6 condominium units at Four Seasons Park 10 and 12 Cuscaden Walk, Singapore 249692	Freehold	1,767	100
United Kingdom			
1 apartment unit at Sailmakers Court Townmead Road, London, England	Leasehold 999 years from December 25, 1989	128	100

STATISTICS OF SHAREHOLDINGS
as at February 25, 2005

Distribution of Shareholdings

Size of Shareholdings	No. of		No. of Shares	
	Shareholders	%		%
1 - 999	113	1.92	46,394	0.01
1,000 - 10,000	5,115	87.03	16,953,404	3.74
10,001 - 1,000,000	635	10.81	33,069,971	7.30
1,000,001 and above	14	0.24	402,954,641	88.95
Total:	5,877	100.00	453,024,410	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Oversea-Chinese Bank Nominees Pte Ltd	135,292,700	29.86
2.	United Overseas Bank Nominees Pte Ltd	106,430,797	23.49
3.	Citibank Nominees Singapore Pte Ltd	52,173,381	11.52
4.	HSBC (Singapore) Nominees Pte Ltd	37,211,540	8.21
5.	DBS Nominees Pte Ltd	21,055,269	4.65
6.	DBS Vickers Securities (S) Pte Ltd	17,139,000	3.78
7.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	8,815,000	1.95
8.	UOB Kay Hian Pte Ltd	7,818,000	1.73
9.	Raffles Nominees Pte Ltd	4,752,754	1.05
10.	OCBC Nominees Singapore Private Limited	4,478,700	0.99
11.	Phillip Securities Pte Ltd	3,154,500	0.70
12.	Kim Eng Securities Pte. Ltd.	1,759,000	0.39
13.	The Asia Life Assurance Society Ltd - Par Fund	1,493,000	0.33
14.	Tengku Idris Shah Ibni Sultan Salahuddin Abdul Aziz Shah	1,381,000	0.30
15.	Christina Ong	1,000,000	0.22
16.	OCBC Securities Private Ltd	984,000	0.22
17.	Citydev Investments Pte Ltd	981,000	0.22
18.	DB Nominees (S) Pte Ltd	964,753	0.21
19.	Teo Hock Seng	858,000	0.19
20.	Ow Chio Kiat	830,000	0.18
Total:		408,572,394	90.19

SUBSTANTIAL SHAREHOLDERS as at February 25, 2005
as shown in the Company's Register of Substantial Shareholders

Substantial Shareholder	Direct/Beneficial Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Coldharbour Limited	66,289,800	14.63	-	-
Como Holdings Inc	67,139,800	14.82	-	-
Born Free Investments Limited	33,144,900	7.32	-	-
Holmshaw Services Limited	31,019,000	6.85	-	-
Peter Fu Yun Siak	-	-	99,308,800 (1)	21.92
Ong Beng Seng	3,000,000	0.66	102,408,800 (2)	22.61
Peter Fu Chong Cheng	-	-	64,163,900 (3)	14.16
Kuo Investments Limited	-	-	31,019,000 (4)	6.85
FCC Holdings Pte Ltd	95,230,000	21.02	-	-
GuocoLand Limited	-	-	■ 95,230,000	21.02
Guoco Investment Pte Ltd	-	-	■ 95,230,000	21.02
Guoco Group Limited	-	-	■ 95,230,000	21.02
Guoline Overseas Limited	-	-	■ 95,230,000	21.02
Guoline Capital Assets Limited	-	-	■ 95,230,000	21.02
Hong Leong Company (Malaysia) Bhd	-	-	■ 95,230,000	21.02
HL Holdings Sdn Bhd	-	-	■ 95,230,000	21.02
Mr Quek Leng Chan	-	-	■ 95,230,000	21.02
Hong Leong Investment Holdings Pte Ltd	-	-	• 96,211,000	21.24

Notes:

- (1)** Mr Peter Fu Yun Siak is deemed to have an interest in the shares of Coldharbour Limited, Jermaine Limited, Holmshaw Services Limited by virtue of the provisions under Section 7 of the Companies' Act, Cap 50.
 - (2)** Mr Ong Beng Seng is deemed to have an interest in the shares of Como Holdings Inc, Reef Holdings Pte Ltd, Holmshaw Services Limited by virtue of the provisions under Section 7 of the Companies' Act, Cap 50 and in the shares held by his spouse.
 - (3)** Mr Peter Fu Chong Cheng is deemed to have an interest in the shares of Born Free Investments Limited, Holmshaw Services Limited, by virtue of the provisions under Section 7 of the Companies' Act, Cap 50.
 - (4)** Kuo Investments Limited is deemed to have an interest in the 31,019,000 shares held by Holmshaw Services Limited by virtue of the provisions under Section 7 of the Companies' Act, Cap 50.
- GuocoLand Limited ("GL"), Guoco Investment Pte Ltd, Guoco Group Limited, Guoline Overseas Limited, Guoline Capital Assets Limited, Hong Leong Company (Malaysia) Berhad ("HLCMB"), HL Holdings Sdn Bhd and Mr Quek Leng Chan are deemed to have an interest in the 95,230,000 shares held by FCC Holdings Pte Ltd by virtue of the provisions under Section 7 of the Companies' Act, Cap 50.
 - Hong Leong Investment Holdings Pte Ltd ("HLIH") is deemed to have an interest in the following shares (i) 95,230,000 shares held by FCC Holdings Pte Ltd and (ii) 981,000 shares held by Golden Rajah Restaurant (Private) Limited ("GRR") by virtue of the provisions under Section 7 of the Companies' Act, Cap 50 through (i) HLIH's deemed interest in GL held through HLCMB's intermediate companies; and (ii) HLIH's deemed interest in GRR held through HLIH's intermediate companies, respectively .

Approximately 32.41% of the issued ordinary shares are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fifth Annual General Meeting of the Company will be held at the Crescent Ballroom, Level 2, Four Seasons Hotel Singapore, 190 Orchard Boulevard, Singapore 248646 on Friday, 29 April 2005 at 4.00 p.m. to transact the following businesses:-

ORDINARY BUSINESS

1. To receive and consider the directors' report and accounts for the year ended 31 December 2004 and the auditor's report thereon. **Resolution 1**
2. To declare a first and final dividend of 2.5 cents per ordinary share less tax of 20% for the year ended 31 December 2004. **Resolution 2**
3. To declare a special dividend of 2.5 cents per ordinary share less tax of 20% for the year ended 31 December 2004. **Resolution 3**
4. To approve the proposed Directors' fees of \$240,000 for the year ended 31 December 2004. (2003: \$240,000) **Resolution 4**
5. To re-appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**
6. To transact any other business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

7. That pursuant to Section 153(6) of the Companies Act, Cap 50, Mr Peter Fu Yun Siak be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting. **Resolution 6**
8. That pursuant to Section 153(6) of the Companies Act, Cap 50, Mr Gordon Seow Li Ming be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting. **Resolution 7**
9. That pursuant to Section 153(6) of the Companies Act, Cap 50, Mr Joseph Grimberg be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting. **Resolution 8**
10. To re-elect Mr Christopher Lim Tien Lock pursuant to Article 80 of the Articles of Association. **Resolution 9**
11. To re-elect Mr Arthur Tan Keng Hock pursuant to Article 80 of the Articles of Association. **Resolution 10**
12. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:-
 - (a) That pursuant to Section 161 of the Companies Act, Chapter. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, the Directors be and are hereby authorised to issue shares in the Company (whether by way of bonus issue, rights issue or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit provided that: **Resolution 11**

- (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20% of the Company's issued share capital;
 - (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for
 - (a) new shares arising from the conversion or exercise of any convertible securities or employee share options or the vesting of share awards that are outstanding when this Resolution is passed, and
 - (b) any subsequent consolidation or subdivision of shares; and
 - (iii) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
- (b) That the directors of the Company be and are hereby authorised to offer and grant options over ordinary shares in the Company in accordance with the regulations of the Hotel Properties Limited Share Option Scheme 2000 ("the Scheme 2000") and pursuant to Section 161 of the Companies Act, Cap 50., the directors be and are hereby authorised to issue and allot ordinary shares upon the exercise of any such options and to do all such acts and things as may be necessary or expedient to carry the same into effect provided that the total number of shares allotted and issued under the Scheme 2000 is limited to fifteen (15) per cent of the total issued share capital of the Company or such other limit as may be specified in the Listing Manual of the Singapore Exchange Securities Trading Limited from time to time.

Resolution 12

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed from 11 May 2005 to 12 May 2005 (both dates inclusive), for the preparation of dividend warrants.

Duly completed transfers received by the Company's Registrar, Lim Associates (Pte) Ltd of 10 Collyer Quay #19-08 Ocean Building Singapore 049315, up to the close of business at 5 p.m. on 10 May 2005 will be registered to determine shareholders' entitlement to the proposed dividend. The dividend, if approved, will be paid on 25 May 2005 to shareholders registered in the books of the Company on 10 May 2005.

In respect of shares in securities accounts with the Central Depository (Pte) Limited ("CDP"), the said first and final dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

By Order of the Board
Boon Suan Lee / Chuang Sheue Ling
 Company Secretaries
 24 March 2005
 Singapore

Explanatory Notes on Special Business to be transacted:-

- (a) Ordinary Resolutions 6, 7 and 8 are to re-appoint directors who are over 70 years of age in accordance to Section 153(6) of the Companies Act, Cap 50.
- (b) Mr Peter Y. S. Fu, a non-independent Director who is over seventy years of age, if re-appointed, will remain as a Nominating Committee member.
- (c) Mr Gordon Seow Li Ming who is over seventy years of age, if re-appointed, will remain as Audit Committee member and Chairman of the Nominating Committee. He is considered an independent director pursuant to Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (d) Mr Joseph Grimberg, an independent Director who is over seventy years of age, if re-appointed, will remain as the Chairman of the Remuneration Committee and a member of the Nominating Committee.
- (e) Mr Arthur Tan Keng Hock, an independent Director, if re-elected, will remain as the Chairman of the Audit Committee.
- (f) Ordinary Resolution 11 will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting to issue further shares in the Company. The maximum number of shares which the Directors may issue under this resolution shall not exceed the quantum set out in the resolution.
- (g) Ordinary Resolution 12 is to allow the Directors to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme 2000 provided that the aggregate number of shares to be issued does not exceed 15% of the issued share capital of the Company from time to time.

Notes:

- (1) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) If a proxy is to be appointed, the form must be deposited at the registered office of the Company, at 50 Cuscaden Road #08-01 HPL House Singapore 249724, not less than 48 hours before the meeting.
- (3) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.
- (4) In the case of joint shareholders, all holders must sign the form of proxy.

HOTEL PROPERTIES LIMITED

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