



HOTEL PROPERTIES LIMITED
(Company Registration Number 198000348Z)

**PROPOSED SPECIAL DIVIDEND AND RENOUNCEABLE NON-UNDERWRITTEN RIGHTS
ISSUE OF SHARES**

1. INTRODUCTION

1.1 The Board of Directors (the "**Directors**") of Hotel Properties Limited (the "**Company**") wishes to announce the following exercises (the "**Exercises**") to be undertaken by the Company:

- (a) a special interim cash dividend (the "**Special Dividend**") of S\$0.268 less tax of 18% (or S\$0.22 net) per ordinary share in the capital of the Company (the "**Share**") for the financial year ending 31 December 2007, in respect of Shares held by the shareholders of the Company (the "**Shareholders**") as at a books closure date to be determined (the "**Books Closure Date**"); and
- (b) a proposed renounceable non-underwritten rights issue (the "**Rights Issue**") of up to 45,845,941 new Shares (the "**Rights Shares**") at an issue price of S\$2.20 (the "**Issue Price**") for each Rights Share, on the basis of one (1) Rights Share for every ten (10) Shares held by Entitled Shareholders (as defined below) as at the Books Closure Date, fractional entitlements to be disregarded and the availability of an option to elect to use the Net Special Dividend (as defined below) to subscribe for the Rights Shares (the "**Election Option**").

1.2 The Company has appointed DBS Bank Ltd as the manager for the Rights Issue (the "**Manager**").

2. RATIONALE FOR THE EXERCISES

2.1 Special Dividend

The purpose of the Special Dividend is to reward Shareholders for their loyalty and continuing support to the Company and allow the Company to pass on its Section 44A tax credits to its Shareholders. Separately, the Rights Issue will provide Shareholders with an option to re-invest their Net Special Dividend (as defined below) in the Company by subscribing for the Rights Shares under the Election Option.

2.2 Rights Issue

The purpose of the Rights Issue is to strengthen the capital base of the Company. Together with the Special Dividend, the Rights Issue will in effect transform a substantial amount of the Company's retained earnings into its paid-up capital. Although the Rights Issue will not be underwritten, given the attractive discount of the Rights Shares of 63.6% to the last transacted price of S\$6.05 per Share on 18 May 2007, being the date of this announcement, the Company expects the Rights Issue to be fully subscribed and, accordingly, the total shareholders' equity of the Company will remain largely unchanged by the Exercises.

3. PROPOSED PRINCIPAL TERMS OF THE SPECIAL DIVIDEND AND THE RIGHTS ISSUE

Special Dividend and Election Option

- 3.1 Under the terms of the Special Dividend, all Shareholders as at the Books Closure Date will receive an interim cash dividend at S\$0.268 cents less tax of 18% (or S\$0.22 net) per Share in respect of the financial year ending 31 December 2007.
- 3.2 Entitled Shareholders (as defined below) will have an option to elect to utilise all or part of the net amount of the Special Dividend to which they are entitled to receive based on the Shares held by them as at the Books Closure Date (the "**Net Special Dividend**"), to subscribe for the Rights Shares. For Entitled Shareholders who elect to use all of their Net Special Dividend to subscribe for the Rights Shares that are provisionally allotted to them, no cash outlay is required. For the avoidance of doubt, Foreign Shareholders (as defined below) will not be offered the Rights Shares but will qualify for the Special Dividend, based on the number of Shares held by them as at the Books Closure Date. Further details are set out in paragraph 3.9 below.
- 3.3 Shareholders whose names appear in the records of The Central Depository (Pte) Limited ("**CDP**") or the Register of Members of the Company, as the case may be, as at the Books Closure Date, will have the cheques for payment of their entitlements to the Net Special Dividend and, if applicable, less the amount of Net Special Dividend applied to subscribe for the relevant Rights Shares, despatched to them by ordinary post at their own risk to their respective addresses as they appear in the records of CDP or in the Register of Members of the Company, as the case may be, and in the case where such Shareholders have designated their bank accounts for direct crediting of their dividends and other distributions, will have the payment directly credited by CDP to their designated bank accounts.
- 3.4 For the avoidance of doubt, Entitled Shareholders (as defined below) who have elected to apply for all their Net Special Dividend towards the subscription of all the Rights Shares provisionally allotted to them will not receive any payment under paragraph 3.3.

The Rights Issue

- 3.5 The Rights Issue is proposed to be made on a renounceable basis of one (1) Rights Share for every ten (10) Shares to Shareholders whose registered address with CDP or the Company, as the case may be, is in Singapore as at the Books Closure Date, or who have, at least five (5) market days prior to the Books Closure Date, provided to CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents (the "**Entitled Shareholders**"). Fractional entitlements to the Rights Shares will be disregarded and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications for Rights Shares (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess Rights Shares, preference will be given to Shareholders for rounding of odd lots, and substantial Shareholders and Directors will rank last in priority.
- 3.6 The Issue Price of S\$2.20 for each Rights Share represents a discount of approximately 63.6% to the last transacted price of S\$6.05 per Share on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 18 May 2007, being the date of this announcement.
- 3.7 The Rights Shares are payable in full upon acceptance and application, and when allotted and issued, will rank *pari passu* in all respects with the then existing Shares, save

for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares.

3.8 Entitled Shareholders will be at liberty to accept, decline or otherwise renounce or trade their provisional allotments of Rights Shares and are eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with the provisional allotments which are not taken up for any reason, be aggregated and used to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors, may in their absolute discretion, deem fit for the benefit of the Company.

3.9 Entitled Shareholders may elect to subscribe for the Rights Shares using all or part of their Net Special Dividend. There is no cash outlay from Shareholders if they elect to use all the Net Special Dividend to which they are entitled in subscribing for the Rights Shares provisionally allotted to them.

For illustrative purposes only, an Entitled Shareholder who holds 1,000 Shares as at the Books Closure Date will be entitled to:

- (a) the Net Special Dividend of S\$0.22 cents in respect of each Share, which amounts to S\$220 that is receivable by such Shareholder; and
- (b) accept his provisional allotment of 100 Rights Shares at S\$2.20 each, which amounts to S\$220 that is payable by such Shareholder.

Such Shareholder may elect to apply his entire Net Special Dividend of S\$220 to subscribe for his provisional allotment of Rights Shares, in which event he will receive 100 Rights Shares and no cash outlay is required from him and he will also not receive any cash payout from his Special Dividend entitlements.

3.10 Based on the issued share capital of the Company as at 4 May 2007 of 457,909,410 Shares, and the outstanding exercisable share options for the subscription of 550,000 Shares of the Company (the "**Exercisable Share Options**") granted under the Hotel Properties Limited Share Option Scheme 2000 approved by the Shareholders on 23 June 2000, which are exercisable on or prior to the Books Closure Date:

- (a) Assuming that none of the Exercisable Share Options are exercised and there is no change in the issued share capital of the Company as at the Books Closure Date:
 - (i) the aggregate amount of the Net Special Dividend is approximately S\$100.7 million; and
 - (ii) 45,790,941 Rights Shares will be issued.
- (b) Assuming that all the Exercisable Share Options are exercised, and for which Shares are issued pursuant to such exercise before the Books Closure Date and there is no further change in the issued share capital of the Company as at the Books Closure Date:
 - (i) the aggregate amount of the Net Special Dividend is approximately S\$100.9 million; and
 - (ii) 45,845,941 Rights Shares will be issued.

Only Exercisable Share Options which are exercised and for which Shares are issued pursuant to such exercise before the Books Closure Date will be entitled to participate in the Rights Issue. Appropriate adjustments on the subscription price and the number of Shares comprised in the Exercisable Share Options not exercised prior to the Books Closure Date will be made. Such adjustments will be announced at a later date.

- 3.11 For practical reasons and in order to avoid any violation of relevant legislation applicable in countries other than Singapore, the Rights Shares will NOT be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) market days prior thereto, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**"). Accordingly, the offer information statement (the "**Offer Information Statement**") to be issued by the Company in connection with the Rights Issue and the accompanying documents will not be despatched out of Singapore.
- 3.12 If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses expected to be incurred in relation thereto. The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings as at the Books Closure Date and sent to them at their own risk by ordinary post. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall be dealt with as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP in connection therewith. Where such provisional allotments of Rights Shares are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares or the Rights Shares represented by such provisional allotments.
- 3.13 The terms and conditions of the Rights Issue may be subject to such changes, as the Directors may deem appropriate. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be despatched by the Company in due course.

4. IRREVOCABLE UNDERTAKINGS

Certain Shareholders, namely, Coldharbour Limited, Como Holdings Inc, Born Free Investments Limited, Holmshaw Services Limited, Reef Holdings Pte Ltd, Jermaine Ltd and Mr Ong Beng Seng, holding an aggregate of 208,363,500 Shares representing approximately 45.51% of the issued share capital of the Company, have irrevocably undertaken to elect to utilize the full amount of their Net Special Dividend to subscribe for their full entitlement of 20,836,350 Rights Shares under the Rights Issue.

5. NO UNDERWRITING

The Rights Issue will not be underwritten as the Company expects that the Rights Issue will be fully subscribed because the Issue Price of S\$2.20 per Rights Share (representing a discount of approximately 63.6% from the last transacted price of S\$6.05 per Share on the SGX-ST on 18 May 2007, being the date of this announcement), is attractive.

Moreover, there is no minimum amount required to be raised by the Rights Issue. Accordingly, the Company has decided to proceed with the Rights Issue on a non-underwritten basis.

6. APPROVALS

The Rights Issue is subject to, *inter alia*, the following:-

- (a) the approval-in-principle of the SGX-ST for the dealing in, listing and quotation of the Rights Shares on the Main Board of the SGX-ST having been obtained; and
- (b) the lodgment of the Offer Information Statement with the Monetary Authority of Singapore.

An application will be made to the SGX-ST for permission to deal in and for the listing and quotation of the Rights Shares on the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course.

The Company intends to rely on the share issue mandate obtained at the annual general meeting of the Company held on 20 April 2007 pursuant to section 161 of the Companies Act (Cap. 50) and Rule 806 of the SGX-ST Listing Manual to issue the Rights Shares.

The Offer Information Statement will be lodged with the Monetary Authority of Singapore and despatched to the Entitled Shareholders in due course after the approval in-principle of the SGX-ST has been obtained.

7. RESPONSIBILITY STATEMENT

The Directors of the Company (including those who may have been delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

BY ORDER OF THE BOARD

Chuang Sheue Ling & Lo Swee Oi
Joint Company Secretaries
18 May 2007
Singapore