

HOTEL PROPERTIES LIMITED (REG. NO. 198000348Z)

Second Quarter Financial Statement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

| | GROUP \$'000 | |
|-------------------------------------------------------------|---------------------------------------|------------------------------------------------------|
| | Quarter ended Jun 30, 2005 | Quarter ended Jun 30, 2004 (restated) |
| Revenue | 69,681 | 74,280 |
| Cost of sales | (53,603) | (55,327) |
| Gross profit | 16,078 | 18,953 |
| Other operating income | 540 | 1,277 |
| Administrative expenses | (9,436) | (9,440) |
| Other operating expenses | (1,568) | (2,008) |
| Finance costs | (4,554) | (3,297) |
| Other non-operating income | 1,656 | 2,635 |
| Profit before income tax and share of results of associates | 2,716 | 8,120 |
| Share of results of associates | 2,318 | 165 |
| Profit before income tax | 5,034 | 8,285 |
| Income tax expense | (3,339) | (2,051) |
| Profit after income tax | 1,695 | 6,234 |
| Attributable to: | | |
| Shareholders of the Company | 2,639 | 5,190 |
| Minority interests | (944) | 1,044 |
| | 1,695 | 6,234 |

Notes to the above income statement:

| | GROUP \$'000 | |
|-----------------------------------------------------------------|---------------------------------------|------------------------------------------------------|
| | Quarter ended Jun 30, 2005 | Quarter ended Jun 30, 2004 (restated) |
| Investment income | 186 | 1,124 |
| Other income including interest income | 496 | 545 |
| Interest on borrowings | (4,554) | (3,297) |
| Depreciation and amortisation | (9,130) | (10,467) |
| Allowance for inventories | - | (6) |
| Write-back of (impairment loss) in short-term investments | 153 | (956) |
| Write-back of impairment loss in long-term investments | 1,027 | - |
| Foreign exchange (loss) gain | (247) | 2,558 |
| Adjustment for under provision of tax in respect of prior years | - | (925) |
| Plant and equipment written off | (498) | (271) |
| Gain on disposal of long-term investments | - | 185 |
| (Loss) Gain on disposal of property, plant and equipment | (56) | 149 |
| Loss on disposal of short-term investments | (142) | (392) |
| Loss on disposal of an investment property | (86) | - |

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

| | GROUP \$'000 | | COMPANY \$'000 | |
|--------------------------------------|------------------|----------------------------|-------------------|----------------------------|
| | Jun 30, 2005 | Dec 31, 2004 (restated) | Jun 30, 2005 | Dec 31, 2004 (restated) |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | 42,844 | 63,573 | 6,150 | 8,391 |
| Short-term investments | 8,190 | 3,894 | - | - |
| Trade receivables | 23,100 | 24,150 | 1,760 | 1,430 |
| Other receivables and prepayments | 11,715 | 14,089 | 1,230 | 736 |
| Inventories | 7,988 | 7,588 | 165 | 192 |
| Development properties | 68,129 | 31,397 | - | - |
| Completed properties held for sale | 8,639 | 10,349 | - | - |
| Total current assets | 170,605 | 155,040 | 9,305 | 10,749 |
| Non-current assets: | | | | |
| Associates | 67,046 | 63,866 | 12,322 | 12,322 |
| Subsidiaries | - | - | 662,511 | 672,291 |
| Other long-term investments | 8,958 | 11,473 | - | - |
| Other long-term asset | 1,564 | 1,298 | - | - |
| Property, plant and equipment | 1,077,395 | 1,106,017 | 228,016 | 228,913 |
| Investment properties | 274,996 | 275,652 | - | - |
| Expenditure carried forward | 17,130 | 18,436 | - | 162 |
| Negative goodwill | - | (16,606) | - | - |
| Total non-current assets | 1,447,089 | 1,460,136 | 902,849 | 913,688 |
| Total assets | 1,617,694 | 1,615,176 | 912,154 | 924,437 |
| | | | | |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Bank loans | 51,331 | 43,422 | - | - |
| Trade payables | 27,579 | 31,120 | 9,741 | 9,599 |
| Other payables | 18,561 | 23,081 | - | - |
| Income tax payable | 4,675 | 4,158 | 422 | 305 |
| Total current liabilities | 102,146 | 101,781 | 10,163 | 9,904 |
| Non-current liabilities | | | | |
| Long-term bank loans | 464,931 | 470,023 | 170,239 | 150,000 |
| Advances from subsidiaries | - | - | 44,479 | 60,376 |
| Deferred tax liabilities | 3,292 | 3,611 | 531 | 651 |
| Total non-current liabilities | 468,223 | 473,634 | 215,249 | 211,027 |
| Share capital and reserves: | | | | |
| Issued capital | 453,684 | 453,024 | 453,684 | 453,024 |
| Reserves | 539,169 | 532,623 | 233,058 | 250,482 |
| Shareholders' equity | 992,853 | 985,647 | 686,742 | 703,506 |
| Minority interests | 54,472 | 54,114 | - | - |
| Total equity | 1,047,325 | 1,039,761 | 686,742 | 703,506 |
| Total liabilities and equity | 1,617,694 | 1,615,176 | 912,154 | 924,437 |

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

| As at 30/6/2005 | | As at 31/12/2004 | |
|-----------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$51,331,000 | - | \$43,422,000 | - |

Amount repayable after one year

| As at 30/6/2005 | | As at 31/12/2004 | |
|-----------------|---------------|------------------|---------------|
| Secured | Unsecured | Secured | Unsecured |
| \$315,028,000 | \$149,903,000 | \$320,023,000 | \$150,000,000 |

Details of any collateral

The above are secured by legal mortgages on properties of the Company and some subsidiaries, fixed and floating charges on assets of the Company and some subsidiaries and pledge of shares of certain subsidiaries.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Quarter ended Jun 30, 2005 \$'000 | Quarter ended Jun 30, 2004 \$'000 (restated) |
|-------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------|
| Cash flows from operating activities: | | |
| Profit before income tax and share of results of associates | 2,716 | 8,120 |
| Adjustments for: | | |
| Amortisation of expenditure carried forward | 95 | 487 |
| Depreciation expense | 9,035 | 9,980 |
| Loss (Gain) on disposal of property, plant and equipment | 56 | (149) |
| Loss (Gain) on disposal of an investment property | 86 | (185) |
| Write back of impairment loss in long-term investments | (1,027) | - |
| (Write back) Impairment loss in short-term investments | (153) | 956 |
| Release of negative goodwill | - | (58) |
| Plant and equipment written off | 498 | 271 |
| Expenditure carried forward written off | - | 7 |
| Interest expense | 4,554 | 3,297 |
| Interest income | (337) | (483) |
| Dividend income | (186) | (1,124) |
| Profit before working capital changes | 15,337 | 21,119 |
| Payables and accrued expenses | 852 | (1,503) |
| Receivables and prepayments | (1,347) | 3,319 |
| Short-term investments | 5,458 | (2,744) |
| Inventories | (311) | (140) |
| Cash generated from operations | 19,989 | 20,051 |
| Dividend paid | (18,121) | (9,060) |
| Dividend received | 186 | 1,124 |
| Interest received | 337 | 483 |
| Interest paid | (4,554) | (3,297) |
| Income tax paid | (2,448) | (3,770) |
| Net cash (used in) from operating activities | (4,611) | 5,531 |
| Cash flows from investing activities: | | |
| Acquisition of additional interest in a subsidiary | - | (10,229) |
| Acquisition of a subsidiary (Note A) | - | (3,943) |
| Additional expenditure carried forward | (66) | (9) |
| Additional investment properties | (185) | - |
| Additional property, plant and equipment | (14,421) | (11,061) |
| Additional long-term receivable | (281) | - |
| Advances from a minority shareholder | 1,123 | - |
| Development properties and expenditure | (1,106) | (140) |
| Proceeds from disposal of long-term investments | 2,653 | 178 |
| Proceeds from disposal of an investment property | 755 | - |
| Proceeds from disposal of property, plant and equipment | 7 | 241 |
| Net investment in associates | (787) | (210) |
| Cash used in investing activities | (12,308) | (25,173) |
| Cash flows from financing activities: | | |
| Proceeds from issue of share capital | 535 | - |
| (Repayment of) additional term loans | (3,816) | 17,398 |
| Cash (used in) from financing activities | (3,281) | 17,398 |
| Net effect of exchange rate changes in consolidation | 698 | (2,301) |
| Net decrease in cash | (19,502) | (4,545) |
| Cash at beginning of period | 62,346 | 71,427 |
| Cash at end of period | 42,844 | 66,882 |

| | Quarter ended Jun 30, 2005 \$'000 | Quarter ended Jun 30, 2004 \$'000 (restated) |
|------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------|
| Note A: Summary of cash flow arising from acquisition of a subsidiary | | |
| Current assets | - | 2,987 |
| Current liabilities | - | (368) |
| Net current assets | - | 2,619 |
| Property, plant and equipment | - | 206 |
| Other non-current liabilities | - | (713) |
| Net assets acquired | - | 2,112 |
| Goodwill on consolidation | - | 3,533 |
| Purchase consideration | - | 5,645 |
| Cash of subsidiary acquired | - | (1,702) |
| Cash flow arising from acquisition of subsidiary | - | 3,943 |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Issued capital \$'000 | Share premium \$'000 | Asset revaluation reserve \$'000 | Exchange fluctuation reserve \$'000 | Other capital reserve \$'000 | Retained profits \$'000 | Option reserve \$'000 | Shareholders' equity \$'000 | Minority interests \$'000 | Total equity \$'000 |
|-----------------------------------------------------------|--------------------------|-------------------------|-------------------------------------|----------------------------------------|---------------------------------|----------------------------|--------------------------|--------------------------------|------------------------------|------------------------|
| GROUP | | | | | | | | | | |
| Balance as at Apr 1, 2005 | 453,149 | 121,092 | 271,476 | 19,327 | 732 | 142,940 | - | 1,008,716 | 53,760 | 1,062,476 |
| Exchange fluctuation differences | - | - | - | (513) | - | - | - | (513) | 898 | 385 |
| Transfer to profit and loss statement during the period | - | - | (291) | - | - | - | - | (291) | - | (291) |
| Net advances from minority shareholders during the period | - | - | - | - | - | - | - | - | 758 | 758 |
| Fair value loss on interest rate swap during the period | - | - | - | - | (196) | - | - | (196) | - | (196) |
| Share options expensed during the period | - | - | - | - | - | - | 84 | 84 | - | 84 |
| Net profit (loss) for the period | - | - | - | - | - | 2,639 | - | 2,639 | (944) | 1,695 |
| Final dividend for the previous year, paid | - | - | - | - | - | (18,121) | - | (18,121) | - | (18,121) |
| Issue of shares | 535 | - | - | - | - | - | - | 535 | - | 535 |
| Balance as at Jun 30, 2005 | 453,684 | 121,092 | 271,185 | 18,814 | 536 | 127,458 | 84 | 992,853 | 54,472 | 1,047,325 |

| | Issued capital \$'000 | Share premium \$'000 | Asset revaluation reserve \$'000 | Exchange fluctuation reserve \$'000 | Reserve on consolidation \$'000 | Retained profits \$'000 | Shareholders' equity \$'000 | Minority interests \$'000 | Total equity \$'000 |
|----------------------------------------------------------------------------|--------------------------|-------------------------|-------------------------------------|----------------------------------------|------------------------------------|----------------------------|--------------------------------|------------------------------|------------------------|
| GROUP | | | | | | | | | |
| Balance as at Apr 1, 2004 (restated) | 453,024 | 121,092 | 216,918 | 27,482 | 19,899 | 88,017 | 926,432 | 50,902 | 977,334 |
| Exchange fluctuation differences | - | - | - | (4,414) | - | - | (4,414) | 901 | (3,513) |
| Share of revaluation reserve of associates arising during the period | - | - | (851) | - | - | - | (851) | - | (851) |
| Adjustment arising from acquisition of additional interest in a subsidiary | - | - | 62,304 | - | - | - | 62,304 | - | 62,304 |
| Net profit for the period | - | - | - | - | - | 5,190 | 5,190 | 1,044 | 6,234 |
| Final dividend for the previous year, paid | - | - | - | - | - | (9,060) | (9,060) | - | (9,060) |
| Balance as at Jun 30, 2004 | 453,024 | 121,092 | 278,371 | 23,068 | 19,899 | 84,147 | 979,601 | 52,847 | 1,032,448 |

| | Issued capital \$'000 | Share premium \$'000 | Asset revaluation reserve \$'000 | Retained profits \$'000 | Option reserve \$'000 | Total equity \$'000 |
|---------------------------------------------|--------------------------|-------------------------|-------------------------------------|----------------------------|--------------------------|------------------------|
| COMPANY | | | | | | |
| Balance as at Apr 1, 2005 | 453,149 | 120,885 | 110,785 | 18,594 | - | 703,413 |
| Share options expensed during the period | - | - | - | - | 84 | 84 |
| Net profit for the period | - | - | - | 831 | - | 831 |
| Final dividend for the previous year, paid | - | - | - | (18,121) | - | (18,121) |
| Issue of shares | 535 | - | - | - | - | 535 |
| Balance as at Jun 30, 2005 | 453,684 | 120,885 | 110,785 | 1,304 | 84 | 686,742 |
| Balance as at Apr 1, 2004 | 453,024 | 120,885 | 110,785 | 5,379 | - | 690,073 |
| Net profit for the period | - | - | - | 4,137 | - | 4,137 |
| Final dividends for the previous year, paid | - | - | - | (9,060) | - | (9,060) |
| Balance as at Jun 30, 2004 | 453,024 | 120,885 | 110,785 | 456 | - | 685,150 |

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purposes since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

Since the end of the previous period reported on to the date of this announcement, 535,000 new ordinary shares of \$1.00 each were issued by the Company at the price of \$1.00 per share upon exercise of subscription rights by senior executives of the Company granted in conjunction with Hotel Properties Limited Share Option Scheme 2000.

The newly issued shares rank pari passu in all respects with the existing shares of the Company.

The number of shares that may be issued on conversion of all share options outstanding as at June 30, 2005 was 2,825,000 (as at June 30, 2004 was 3,710,000).

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

N.A.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group and Company have followed the same accounting policies and methods of computation as in the most recently audited annual financial statements except as explained in paragraph 5 below.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has adopted all new/revised Singapore Financial Reporting Standards ("FRS") that are mandatory for financial years beginning on or after January 1, 2005 as detailed below. The comparative figures have been amended where as required in accordance with the relevant transitional provisions of the respective FRS. The effects of the adoption of the new/revised FRS on the opening retained profits and current quarter have been disclosed in the Group's First Quarter Financial Statement Announcement dated 11 May 2005 and paragraph 1(d)(i).

FRS 10 - Events after the Balance Sheet Date

In accordance with FRS 10, dividends declared should be disclosed in the notes to the financial statements. Companies are no longer given the option to record such dividends on the face of the balance sheet as a separate component of the equity (dividend reserve).

FRS 21 - The Effects of Changes in Foreign Exchange Rates

Exchange differences arising on monetary items treated as part of a reporting entity's net investment in a foreign operation are recognised in the profit and loss statement at the company level, but are recognised in equity at group level (if these are denominated in the functional currency of the reporting entity or the foreign operation) until disposal, at which time they are taken to profit or loss.

FRS 27 - Consolidated and Separate Financial Statements

Requires minority interests to be presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity.

FRS 39 - Financial Instruments: Recognition and Measurement

Derivatives are recognised at fair value on the balance sheet with changes in fair value recognised in the profit and loss statement unless the derivative is a hedging instrument. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and recycled to the profit and loss statement when the hedge transaction affects profit and loss.

FRS 103 - Business Combinations

Existing goodwill must not be amortised, but must be tested for impairment at least annually. Existing negative goodwill must be taken to retained earnings in the period of adoption.

FRS 102 - Share-based Payment

FRS 102 requires the Group and Company to recognise an expense in the income statement with a corresponding increase in equity for share options granted under the Hotel Properties Limited Share Option Scheme 2000 after 22 November 2002 and had not yet vested at 1 January 2005.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

| | Quarter ended Jun 30, 2005 | Quarter ended Jun 30, 2004 (restated) |
|------------------------------------------------------------------|----------------------------|---------------------------------------|
| Based on the weighted average number of ordinary shares in issue | 0.58 cents | 1.15 cents |
| On a fully diluted basis | 0.58 cents | 1.15 cents |

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

| | Jun 30, 2005 | Dec 31, 2004 (restated) |
|---------|--------------|-------------------------|
| GROUP | \$2.19 | \$2.18 |
| COMPANY | \$1.51 | \$1.55 |

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Group revenue for the quarter under review was \$69.7 million compared with \$74.3 million for the corresponding quarter last year. Group profit before tax also correspondingly decreased from \$8.3 million to \$5 million. The reduction was mainly due to Four Seasons Resort Maldives at Kuda Huraa being closed for upgrading since the Tsunami in December last year. Although the loss of income from this resort is covered by the Business Interruption policy, the Singapore Financial Reporting Standards require such compensation to be recorded only when it becomes receivable. The compensation amount for business interruption is currently still being finalised with the insurer and therefore not recorded in the quarter under review.

Further, Q2 04's profit before tax had been restated from \$5.8 million to \$8.3 million as a result of adoption of FRS 21 which requires exchange differences relating to revaluation of intercompany balances to be recognized in the profit and loss statement if these are not denominated in the functional currency of the companies involved. There was an intercompany balance which fell into this category last year resulting in an exchange gain of \$2.5 million. This exchange gain, which was previously taken directly to equity, had been reclassified to the profit and loss statement. The denomination of this intercompany balance had been changed to the reporting currency of the company since January 2005.

Without the above restatement, the reduction of profit before tax for the Group would be \$0.8 million. The Group's hotels in Singapore benefited from the citywide conferences and events resulting in better room rates and strong occupancies. Higher share of results of associates' results was from the Group's investment in the Oasis Riveria condominium development in Shanghai, China.

Interest expense for the Group increased due to higher prevailing interest rates. Effective income tax rate has also increased due to higher profits from taxable jurisdictions such as Singapore and China and minimal income from Maldives, which is a tax haven.

Net profit attributable to the shareholders for the quarter under review is \$2.6 million compared to \$5.2 million (\$2.9 million before the restatement mentioned above) for the corresponding quarter last year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's results for Q2 2005 are in line with the commentary made in paragraph 10 of the Group's First Quarter Financial Statement and Dividend Announcement released on May 11, 2005.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Barring unforeseen circumstances, the Board expects the hotel business of the Group to improve in the second half of the year in line with the traditional trends of leisure business, although the reopening of Four Seasons Resort Maldives at Kuda Huraa will not take place in the next reporting period.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

N.A.

(d) Books closure date

N.A.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared/recommended by the Company for the current financial period reported on.

13. Interested Person Transactions ("IPT")

| Name of Interested Person | Aggregate value of all IPT during the first quarter ended June 30, 2005 (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 | 2,153 | - |
| - Management fee expense | 130 | - |

Note:

* "Associate" in relation to a director, chief executive officer or controlling shareholder means

- his immediately 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.

BY ORDER OF THE BOARD

Chuang Sheue Ling & Lo Swee Oi
Joint Company Secretaries
August 10, 2005