

# HOTEL PROPERTIES LIMITED

## First 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 Mar 31, 2004	Quarter ended Mar 31, 2003
Revenue	74,143	72,346
Cost of sales	(55,458)	(56,823)
Gross profit	18,685	15,523
Other operating income	933	767
Administrative expenses	(9,490)	(9,989)
Other operating expenses	(1,470)	(1,663)
Profit from operations	8,658	4,638
Finance costs	(3,207)	(4,129)
Other non-operating income	87	403
Profit before income tax and share of results of associates	5,538	912
Share of results of associates	2,658	(454)
Profit before income tax	8,196	458
Income tax	(1,593)	472
Profit after income tax	6,603	930
Minority interests	(1,806)	(1,615)
Net profit (loss) attributable to shareholders	4,797	(685)

Notes to the above income statement:

	GROUP \$'000	
	Quarter ended Mar 31, 2004	Quarter ended Mar 31, 2003
Other income including interest income	553	714
Interest on borrowings	(3,207)	(4,129)
Depreciation and amortisation	(10,206)	(10,134)
(Allowance for) Write back of allowance for inventories	(7)	1,575
Impairment loss in short-term investments	(575)	(485)
Foreign exchange (loss)gain	(70)	135
Adjustment for (under)over provision of tax in respect of prior years	(46)	1,723
Plant and equipment written off	(253)	(241)
Gain on disposal of short-term investments	380	-
Gain on disposal of property, plant and equipment	165	536
Gain on disposal of an investment property	139	-

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	
	Mar 31, 2004	Dec 31, 2003	Mar 31, 2004	Dec 31, 2003
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	71,427	84,347	5,286	17,527
Short-term investments	6,946	6,428	-	-
Trade receivables	23,376	20,469	1,409	1,382
Other receivables and prepayments	13,822	19,503	963	802
Inventories	7,297	7,899	176	219
Development properties	27,486	27,367	-	-
Completed properties held for sale	10,349	10,349	-	-
<b>Total current assets</b>	<b>160,703</b>	<b>176,362</b>	<b>7,834</b>	<b>19,930</b>
<b>Non-current assets:</b>				
Associates	88,341	87,651	12,997	12,997
Subsidiaries	-	-	735,158	722,723
Other long-term investments	29,476	29,476	-	-
Property, plant and equipment	1,052,311	1,051,058	229,898	230,506
Investment properties	280,614	281,104	-	-
Expenditure carried forward	11,086	11,431	259	292
Negative goodwill	(16,777)	(16,833)	-	-
<b>Total non-current assets</b>	<b>1,445,051</b>	<b>1,443,887</b>	<b>978,312</b>	<b>966,518</b>
<b>Total assets</b>	<b>1,605,754</b>	<b>1,620,249</b>	<b>986,146</b>	<b>986,448</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Bank loans	29,983	28,389	-	-
Trade payables	26,198	30,330	7,859	8,390
Other payables	30,048	33,347	-	-
Income tax payable	5,311	5,766	416	400
<b>Total current liabilities</b>	<b>91,540</b>	<b>97,832</b>	<b>8,275</b>	<b>8,790</b>
<b>Non-current liabilities</b>				
Long-term bank loans	533,286	543,393	224,027	223,426
Advances from subsidiaries	-	-	62,815	62,637
Deferred tax liabilities	3,594	4,147	956	1,213
<b>Total non-current liabilities</b>	<b>536,880</b>	<b>547,540</b>	<b>287,798</b>	<b>287,276</b>
<b>Minority interests</b>	<b>50,902</b>	<b>49,649</b>	<b>-</b>	<b>-</b>
<b>Share capital and reserves:</b>				
Issued capital	453,024	453,024	453,024	453,024
Reserves	473,408	472,204	237,049	237,358
<b>Total equity</b>	<b>926,432</b>	<b>925,228</b>	<b>690,073</b>	<b>690,382</b>
<b>Total liabilities and equity</b>	<b>1,605,754</b>	<b>1,620,249</b>	<b>986,146</b>	<b>986,448</b>

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

**Amount repayable in one year or less, or on demand**

As at 31/3/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
\$29,983,000	-	\$28,389,000	-

**Amount repayable after one year**

As at 31/3/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
\$383,286,000	\$150,000,000	\$393,393,000	\$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 Mar 31, 2004 \$'000	Quarter ended Mar 31, 2003 \$'000
<b>Cash flows from operating activities:</b>		
Profit before income tax and share of results of associates	5,538	912
Adjustments for:		
Amortisation of expenditure carried forward	337	442
Depreciation expense	9,869	9,692
Gain on disposal of property, plant and equipment	(165)	(536)
Gain on disposal of an investment property	(139)	-
Impairment loss in short-term investments	575	485
Release of negative goodwill	(56)	-
Write back of provision for impairment in an associate	(11)	-
Plant and equipment written off	253	241
Interest expense	3,207	4,129
Interest income	(507)	(559)
Profit before working capital changes	18,901	14,806
Payables and accrued expenses	(7,431)	(4,489)
Receivables and prepayments	311	(1,184)
Short-term investments	(1,093)	-
Inventories	602	(3,343)
Cash generated from operations	11,290	5,790
Interest received	507	559
Interest paid	(3,207)	(4,129)
Income tax paid	(1,888)	(4,189)
Net cash from (used in) operating activities	6,702	(1,969)
<b>Cash flows from investing activities:</b>		
Additional expenditure carried forward	(60)	-
Additional investment properties	(7)	(13)
Additional property, plant and equipment	(14,467)	(48,293)
Additional long-term investments	-	(2,300)
Development properties and expenditure	(119)	(46)
Proceeds from disposal of an investment property	633	-
Proceeds from disposal of property, plant and equipment	230	1,457
Net investment in associates	(167)	3,434
Cash used in investing activities	(13,957)	(45,761)
<b>Cash flows from financing activities:</b>		
(Repayment of) Additional term loans	(5,363)	25,069
Cash (used in) from financing activities	(5,363)	25,069
Net effect of exchange rate changes in consolidation	(302)	1,371
Net decrease in cash	(12,920)	(21,290)
Cash at beginning of period	84,347	112,685
Cash at end of period	71,427	91,395



COMPANY								
Balance as at Jan 1, 2004	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	-	-	-	203	-	-	-	203
Net loss for the period	-	-	-	-	-	(512)	-	(512)
Balance as at Mar 31, 2004	453,024	120,885	110,785	(5,465)	-	1,784	9,060	690,073
Balance as at Jan 1, 2003	453,024	120,885	110,785	(6,042)	-	4,543	8,834	692,029
Net loss not recognised in the profit and loss statement, being exchange fluctuation differences	-	-	-	(308)	-	-	-	(308)
Net loss for the period	-	-	-	-	-	(1,064)	-	(1,064)
Balance as at Mar 31, 2003	453,024	120,885	110,785	(6,350)	-	3,479	8,834	690,657

- 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**

The Company did not issue any new share since the end of the previous financial year reported on to the date of this announcement.

The number of shares that may be issued on conversion of all share options outstanding as at March 31, 2004 was 4,470,000 (as at March 31, 2003 was 6,020,000).

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.

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**

N.A.

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 Mar 31, 2004	Quarter ended Mar 31, 2003
Based on the weighted average number of ordinary shares in issue	1.06 cents	(0.15) cents
On a fully diluted basis	1.06 cents	(0.15) 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**

	Mar 31, 2004	Dec 31, 2003
GROUP	\$2.04	\$2.04
COMPANY	\$1.52	\$1.52

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**

The Group recorded strong profit before tax of \$8.2 million in Q1 2004, an 18-fold increase over \$0.46 million in Q1 2003.

The marked improvement was mainly attributable to better performance from operations, particularly the hotel division. Most of the hotels in the Group achieved better results than the corresponding period last year, with significant contributions coming from the resorts in Maldives.

On the property front, the Group has started recognising its share of profits from the Oasis Riveria condominium development in Shanghai, resulting in higher profits from associates.

With the disposal of the loss making HPL-21 Holdings Pte Ltd Group, which operates Donna Karan and DKNY shops in Hong Kong and Taiwan end last year, the losses from the Group's retail division has also reduced.

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 Q1 2004 are in line with the commentary made in paragraph 10 of the Group's Full Year Financial Statement and Dividend Announcement released on February 26, 2004.

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**

A recovery has been seen in the global hospitality industry. Competition in all regions remains stiff, but the result achieved in the first quarter bodes well for the immediate future. Therefore, a significant further improvement can be anticipated in the absence of unforeseen circumstances affecting the Group's activities.

**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/recommendeded 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 Mar 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	2,002	-
- Management fee income	104	-

**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**

Boon Suan Lee & Chuang Sheue Ling  
Joint Company Secretaries  
May 13, 2004