



HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

First Quarter Financial Statement

1(a) Income Statement

	GROUP \$'000	
	Quarter ended Mar 31, 2006	Quarter ended Mar 31, 2005
Revenue	71,789	71,219
Cost of sales	(52,961)	(52,326)
Gross profit	18,828	18,893
Other operating income	1,605	539
Administrative expenses	(9,750)	(10,105)
Other operating expenses	(1,120)	(1,197)
Finance costs	(5,667)	(4,268)
Other non-operating income	4,705	1,204
Profit before income tax and share of results of associates	8,601	5,066
Share of results of associates	(277)	932
	8,324	5,998
Income tax	(3,360)	(1,733)
Profit after income tax	4,964	4,265
Attributable to:		
Shareholders of the Company	4,350	4,555
Minority interests	614	(290)
	4,964	4,265

Notes to the above income statement:

	GROUP \$'000	
	Quarter ended Mar 31, 2006	Quarter ended Mar 31, 2005
Other income including interest income	848	470
Interest on borrowings	(5,532)	(4,160)
Depreciation and amortisation	(8,263)	(9,279)
Foreign exchange loss	(337)	(143)
Adjustment for under provision of tax in respect of prior years	(42)	(84)
Gain on disposal of available-for-sale investments	-	105

1(b)(i) Balance Sheet

	GROUP \$'000		COMPANY \$'000	
	Mar 31, 2006	Dec 31, 2005	Mar 31, 2006	Dec 31, 2005
ASSETS				
Current assets:				
Cash and bank balances	81,480	90,926	5,903	20,913
Held-for-trading investments	21,517	27,879	-	-
Trade receivables	13,598	17,444	2,073	1,678
Other receivables and prepayments	21,288	21,091	1,530	871
Derivative financial instruments	373	370	-	-
Amount due from associates	64,427	39,057	11,557	11,557
Amount due from subsidiaries	-	-	495,290	436,610
Inventories	5,911	5,937	170	169
Development properties	115,366	61,141	-	-
Completed properties held for sale	8,639	8,639	-	-
Total current assets	332,599	272,484	516,523	471,798
Non-current assets:				
Associates	40,020	41,221	3,223	3,223
Subsidiaries	-	-	254,728	250,132
Available-for-sale investments	7,865	7,411	-	-
Prepayments	1,292	1,354	-	-
Property, plant and equipment	1,108,509	1,076,168	228,041	228,469
Investment properties	274,897	274,829	-	-
Deferred tax assets	144	154	-	-
Derivative financial instruments	292	138	292	138
Intangible assets	16,507	16,698	-	-
Total non-current assets	1,449,526	1,417,973	486,284	481,962
Total assets	1,782,125	1,690,457	1,002,807	953,760
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans	173,247	179,313	74,972	74,944
Trade payables	27,740	34,911	9,741	11,897
Other payables	15,581	18,769	-	-
Amount due to associates	18,895	19,244	-	-
Amount due to subsidiaries	-	-	44,456	44,465
Income tax payable	8,181	6,288	1,025	589
Total current liabilities	243,644	258,525	130,194	131,895
Non-current liabilities				
Long-term bank loans	407,511	355,239	165,181	115,098
Deferred tax liabilities	5,446	5,289	498	529
Total non-current liabilities	412,957	360,528	165,679	115,627
Share capital and reserves:				
Issued capital	574,942	454,039	574,942	454,039
Reserves	446,808	565,140	131,992	252,199
Shareholders' equity	1,021,750	1,019,179	706,934	706,238
Minority interests	103,774	52,225	-	-
Total equity	1,125,524	1,071,404	706,934	706,238
Total liabilities and equity	1,782,125	1,690,457	1,002,807	953,760

1(b)(ii) Aggregate Amount of Group's Borrowings and Debt Securities**Amount repayable in one year or less, or on demand**

As at 31/3/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$98,275,000	74,972,000	\$104,369,000	74,944,000

Amount repayable after one year

As at 31/3/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$332,680,000	\$74,831,000	\$280,427,000	\$74,812,000

Details of any collateral

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

1(c) Consolidated Cash Flow Statement

	Quarter ended Mar 31, 2006 \$'000	Quarter ended Mar 31, 2005 \$'000
Cash flows from operating activities:		
Profit before income tax and share of results of associates	8,601	5,066
Adjustments for:		
Amortisation of intangible assets	82	94
Depreciation expense	8,181	9,185
Share option expense	63	-
Gain on disposal of property, plant and equipment	-	(105)
Interest expense	5,532	4,160
Interest income	(658)	(330)
Dividend income	(96)	(41)
Profit before working capital changes	21,705	18,029
Payables and accrued expenses	(10,484)	(8,913)
Receivables and prepayments	3,987	5,182
Held-for-trading investments	6,362	(9,601)
Inventories	26	(89)
Completed properties held for sale	-	1,710
Cash generated from operations	21,596	6,318
Dividend received	96	41
Interest received	658	330
Interest paid	(5,532)	(4,160)
Income tax paid	(1,222)	(1,265)
Net cash from operating activities	15,596	1,264
Cash flows from investing activities:		
Acquisition of a joint venture company, net of cash acquired	(34,627)	-
Additional available-for-sale investments	(454)	-
Additional property, plant and equipment	(22,445)	(7,199)
Additional investment properties	(68)	-
Advances from (to) a minority shareholder	4,063	(365)
Development properties and expenditure	5,792	(506)
Proceeds from disposal of available-for-sale investments	-	1,043
Net investment in associates	(26,203)	(624)
Cash used in investing activities	(73,942)	(7,651)
Cash flows from financing activities:		
Proceeds from issue of shares	18	125
Additional bank loans	50,205	4,484
Cash from financing activities	50,223	4,609
Net effect of exchange rate changes in consolidation	(1,323)	551
Net decrease in cash and bank balances	(9,446)	(1,227)
Cash and bank balances at beginning of period	90,926	63,573
Cash and bank balances at end of period	81,480	62,346
Summary of cash flow arising from acquisition of a joint venture company		
Current assets	64,961	-
Current liabilities	(125)	-
Net current assets	64,836	-
Property, plant and equipment	21,994	-
Other non-current liabilities	(47,551)	-
Net assets acquired/Cash consideration	39,279	-
Cash of joint venture company acquired	(4,652)	-
Cash flow arising from acquisition	34,627	-

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

	Issued capital \$'000	Share premium \$'000	Asset revaluation reserve \$'000	Exchange fluctuation reserve \$'000	Reserve on consolidation \$'000	Hedge reserve \$'000	Option reserve \$'000	Other capital reserve \$'000	Retained profits \$'000	Shareholders' equity \$'000	Minority interests \$'000	Total equity \$'000
GROUP												
Balance as at Jan 1, 2006 - as previously reported	454,039	121,092	267,889	(11,189)	1,990	508	211	1,927	182,712	1,019,179	52,225	1,071,404
Retrospective effect of changes in accounting policy (Note 5): - FRS 21	-	-	-	(39,817)	-	-	-	-	39,817	-	-	-
Balance as restated	454,039	121,092	267,889	(51,006)	1,990	508	211	1,927	222,529	1,019,179	52,225	1,071,404
Exchange fluctuation differences	-	-	-	(1,252)	-	-	-	-	-	(1,252)	(540)	(1,792)
Transfer to profit and loss statement during the period	-	-	(808)	-	-	-	-	-	-	(808)	-	(808)
Gain on cash flow hedge	-	-	-	-	-	157	-	-	-	157	-	157
Gain on available-for-sale investments	-	-	-	-	-	-	-	43	-	43	-	43
Share-based payments during the period	-	-	-	-	-	-	63	-	-	63	-	63
Net profit for the period	-	-	-	-	-	-	-	-	4,350	4,350	614	4,964
Net movement during the period	-	-	-	-	-	-	-	-	-	-	51,475	51,475
Adjustment during the period	-	(207)	80	-	-	-	-	127	-	-	-	-
Adjustment arising from abolition of par value of shares ⁽¹⁾	120,885	(120,885)	-	-	-	-	-	-	-	-	-	-
Issue of shares	18	-	-	-	-	-	-	-	-	18	-	18
Balance as at Mar 31, 2006	574,942	-	267,161	(52,258)	1,990	665	274	2,097	226,879	1,021,750	103,774	1,125,524

Note (1) As a result of the Companies (Amendment) Act 2005, the concept of authorised share capital and par value has been abolished. Any amount standing to the credit of share premium account has been transferred to the company's share capital account in the current year.

	Issued capital \$'000	Share premium \$'000	Asset revaluation reserve \$'000	Exchange fluctuation reserve \$'000	Reserve on consolidation \$'000	Hedge reserve \$'000	Retained profits \$'000	Shareholders' equity \$'000	Minority interests \$'000	Total equity \$'000
GROUP										
Balance as at Jan 1, 2005 - as previously reported	453,024	121,092	271,495	19,640	19,899	-	100,497	985,647	54,114	1,039,761
Retrospective effect of changes in accounting policy (Note 5): - FRS 21	-	-	-	(39,817)	-	-	39,817	-	-	-
Balance as restated	453,024	121,092	271,495	(20,177)	19,899		140,314	985,647	54,114	1,039,761
Prospective effect of changes in accounting policies: - FRS 39 - FRS 103	- - -	- - -	- - -	(1,383) - -	- (19,899) -	- - -	1,739 36,505 -	356 16,606 -	- - -	356 16,606 -
Exchange fluctuation differences	-	-	-	1,070	-	-	-	1,070	301	1,371
Transfer to profit and loss statement during the period	-	-	(19)	-	-	-	-	(19)	-	(19)
Gain on cash flow hedge	-	-	-	-	-	732	(356)	376	-	376
Net profit for the period	-	-	-	-	-	-	4,555	4,555	(290)	4,265
Net movement during the period	-	-	-	-	-	-	-	-	(365)	(365)
Issue of shares	125	-	-	-	-	-	-	125	-	125
Balance as at Mar 31, 2005	453,149	121,092	271,476	(20,490)	-	732	182,757	1,008,716	53,760	1,062,476

	Issued capital \$'000	Share premium \$'000	Asset revaluation reserve \$'000	Hedge reserve \$'000	Option reserve \$'000	Retained profits \$'000	Total equity \$'000
COMPANY							
Balance as at Jan 1, 2006	454,039	120,885	110,785	138	211	20,180	706,238
Gain on cash flow hedge	-	-	-	154	-	-	154
Share-based payments during the period	-	-	-	-	63	-	63
Net profit for the period	-	-	-	-	-	461	461
Adjustment arising from abolition of par value of shares ⁽¹⁾	120,885	(120,885)	-	-	-	-	-
Issue of shares	18	-	-	-	-	-	18
Balance as at Mar 31, 2006	574,942	-	110,785	292	274	20,641	706,934
Balance as at Jan 1, 2005	453,024	120,885	110,785	-	-	18,812	703,506
Net loss for the period	-	-	-	-	-	(218)	(218)
Issue of shares	125	-	-	-	-	-	125
Balance as at Mar 31, 2005	453,149	120,885	110,785	-	-	18,594	703,413

Note (1) As a result of the Companies (Amendment) Act 2005, the concept of authorised share capital and par value has been abolished. Any amount standing to the credit of share premium account has been transferred to the company's share capital account in the current year.

1(d)(ii) Details of Any Changes in Company's Issued Share Capital

Since the end of the previous financial year reported on to the date of this announcement, 50,000 new ordinary shares 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 March 31, 2006 was 2,452,000 (as at March 31, 2005 was 3,435,000).

2. Audit Statement

The figures have not been audited or reviewed.

3. Auditors' Report

N.A.

4. Changes in Accounting Policies

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

5. Reasons for and Effect of Changes in Accounting Policies

The Group has adopted all new/revised Singapore Financial Reporting Standards ("FRS") that are mandatory for financial years beginning on or after January 1, 2006 as detailed below. The effects of the adoption of the new/revised FRS are disclosed in paragraph 1(d)(i).

*FRS 21 - The Effects of Changes in Foreign Exchange Rates
Amendments Relating to Net Investment in a Foreign Operation*

Exchange differences arising on monetary items treated as part of a reporting entity's net investment in a foreign operation which is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation are to be recognised in equity at group level until disposal, at which time they are taken to profit or loss.

6. Earnings Per Share

	Quarter ended Mar 31, 2006	Quarter ended Mar 31, 2005
Based on the weighted average number of ordinary shares in issue	0.96 cents	1.01 cents
On a fully diluted basis	0.95 cents	1.01 cents

7. Net Asset Value

	Mar 31, 2006	Dec 31, 2005
GROUP	\$2.25	\$2.24
COMPANY	\$1.56	\$1.56

8. Review of Performance

For the first quarter ended March 31, 2006, the Group achieved a turnover of \$71.8 million compared to \$71.2 million for the same period last year. The adverse effects on the Group's Bali resorts caused by the terrorist bombing in Bali late last year, while slowly improving, was offset by improvements in performance of the Group's hotels and resorts in other locations. In particular, those in Singapore achieved both higher rates and occupancies in Q1 06 compared to Q1 05.

The Group received further interim payments from the insurer in relation to losses caused by the Tsunami in December 2004 during the quarter under review, resulting in an increase in non-operating income compared to Q1 05.

Interest expense for the Group had however increased by 31% from \$4.2 million for Q1 05 to \$5.5 million for Q1 06. This is due to higher bank borrowings as a result of recent investments in properties in Kensington High Street, London and 21st Century Tower in Shanghai. Prevailing interest rates have also increased as compared to first quarter last year. These acquisitions also resulted in an increase in the Group's assets such as Development properties, Amount due from associates, Property, plant and equipment as well as Minority interest as reflected in the Group's balance sheet as at March 31, 2006.

The Group's profit before income tax and share of results of associates improved by 69% from \$5.1 million to \$8.6 million.

Effective tax rate for the Group has increased slightly due to higher profits generated from taxable jurisdictions and inability to set off tax losses from overseas subsidiaries. The Group's share of results of associates also decreased by \$1.2 million.

Group profit after income tax increased by 16% from \$4.27 million for Q1 05 to \$4.96 million for the quarter under review. Net profit after minority interest is \$4.35 million for Q1 06 compared to \$4.55 million for Q1 05.

9. Variance from Previous Forecast or Prospect Statement

The Group's results for Q1 2006 are in line with the commentary made in paragraph 10 of the Group's Full Year Financial Statement and Dividend Announcement released on February 23, 2006.

10. Outlook and Prospects

The Group is expected to incur pre-opening expenses in preparation for the opening of its two resorts in Maldives later part of the year and a complete recovery of the business of the Group's resorts in Bali will take some time, though forward reservations are beginning to gain momentum.

Nevertheless, the outlook for the rest of the year continues to be positive and barring unforeseen circumstances, the Board anticipates the Group's businesses in other geographical areas to continue the growth trend.

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, 2006 (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 Ong Beng Seng / Mr David Fu Kuo Chen		
- Rental income	2,255	-
- Management fee expense	201	-

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
May 3, 2006