



# HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

## Full Year Financial Statement And Dividend Announcement

### 1(a) Income Statement

	GROUP \$'000	
	Year ended Dec 31, 2006	Year ended Dec 31, 2005
Revenue	355,397	304,185
Cost of sales	(252,383)	(225,068)
Gross profit	103,014	79,117
Other operating income	13,545	2,341
Administrative expenses	(40,092)	(40,595)
Other operating expenses	(10,153)	(5,196)
Finance costs	(28,237)	(18,753)
Other non-operating income	15,588	18,917
Fair value changes in investment properties	55,701	-
Share of results of associates	10,827	10,966
Profit before income tax	120,193	46,797
Income tax expense	(20,656)	(10,385)
Profit for the year	99,537	36,412
Attributable to:		
Shareholders of the Company	98,966	38,338
Minority interests	571	(1,926)
	99,537	36,412

#### Notes to income statement:

	GROUP \$'000	
	Year ended Dec 31, 2006	Year ended Dec 31, 2005
Investment income	672	359
Other income including interest income	3,211	1,911
Interest on borrowings	(27,702)	(18,140)
Depreciation and amortisation	(35,814)	(35,775)
Write back of (Allowance for) doubtful trade debts	72	(47)
Fair value changes in held-for-trading investments	8,231	(800)
Fair value changes in available-for-sale investments	382	-
Foreign exchange loss	(381)	(303)
Adjustment for over (under) provision of tax in respect of prior years	854	(202)
Plant and equipment written off	(3,397)	(231)
Gain on disposal of held-for-trading investments	1,432	71
Gain on disposal of available-for-sale investments	-	105
Gain (Loss) on disposal of investment properties	116	(68)
Gain on disposal of property, plant and equipment	790	14,108
Gain on disposal of subsidiary	-	2,105

## 1(b)(i) Balance Sheet

	GROUP \$'000		COMPANY \$'000	
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and bank balances	128,504	90,926	8,108	20,913
Held-for-trading investments	19,133	27,879	-	-
Trade receivables	29,928	17,444	2,211	1,678
Other receivables and prepayments	14,937	21,091	986	871
Derivative financial instruments	-	370	-	-
Amount due from associates	26,207	39,057	10,911	11,557
Amount due from subsidiaries	-	-	556,159	436,610
Inventories	6,863	5,937	212	169
Development properties	352,533	61,141	-	-
Completed properties held for sale	17,021	8,639	-	-
<b>Total current assets</b>	<b>595,126</b>	<b>272,484</b>	<b>578,587</b>	<b>471,798</b>
<b>Non-current assets:</b>				
Associates	63,478	41,221	3,223	3,223
Subsidiaries	-	-	226,087	250,132
Available-for-sale investments	13,982	7,411	-	-
Prepayments	1,149	1,354	-	-
Property, plant and equipment	1,124,890	1,076,168	228,481	228,469
Investment properties	374,628	274,829	-	-
Deferred tax assets	1,714	154	-	-
Derivative financial instruments	76	138	76	138
Other intangible assets	15,931	16,698	-	-
<b>Total non-current assets</b>	<b>1,595,848</b>	<b>1,417,973</b>	<b>457,867</b>	<b>481,962</b>
<b>Total assets</b>	<b>2,190,974</b>	<b>1,690,457</b>	<b>1,036,454</b>	<b>953,760</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Bank loans	129,780	179,313	74,963	74,944
Trade payables	65,154	34,911	15,165	11,897
Other payables	31,825	18,769	-	-
Amount due to associates	457	19,244	-	-
Amount due to subsidiaries	-	-	44,467	44,465
Income tax payables	15,489	6,288	1,647	589
<b>Total current liabilities</b>	<b>242,705</b>	<b>258,525</b>	<b>136,242</b>	<b>131,895</b>
<b>Non-current liabilities</b>				
Long-term bank loans	687,723	355,239	189,882	115,098
Other long-term liabilities	24,417	-	-	-
Deferred tax liabilities	14,760	5,289	570	529
<b>Total non-current liabilities</b>	<b>726,900</b>	<b>360,528</b>	<b>190,452</b>	<b>115,627</b>
<b>Share capital and reserves:</b>				
Share capital	576,486	454,039	576,486	454,039
Reserves	506,097	565,140	133,274	252,199
<b>Shareholders' equity</b>	<b>1,082,583</b>	<b>1,019,179</b>	<b>709,760</b>	<b>706,238</b>
Minority interests	138,786	52,225	-	-
<b>Total equity</b>	<b>1,221,369</b>	<b>1,071,404</b>	<b>709,760</b>	<b>706,238</b>
<b>Total liabilities and equity</b>	<b>2,190,974</b>	<b>1,690,457</b>	<b>1,036,454</b>	<b>953,760</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 31/12/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$56,082,000	\$74,963,000	\$104,369,000	74,944,000

**Amount repayable after one year**

As at 31/12/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$554,358,000	\$153,380,000	\$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

	Year ended Dec 31, 2006 \$'000	Year ended Dec 31, 2005 \$'000
<b>Cash flows from operating activities:</b>		
Profit before income tax and share of results of associates	109,366	35,831
Adjustments for:		
Amortisation of expenditure carried forward and intangible assets	330	371
Depreciation expense	35,484	35,404
Negative goodwill on acquisition of a subsidiary	(655)	-
Share option expense	475	211
Fair value changes in held-for-trading investments	(8,231)	800
Fair value changes in investment properties	(55,701)	-
Plant and equipment written off	3,397	231
Gain on disposal of property, plant and equipment	(790)	(14,108)
(Gain) Loss on disposal of investment properties	(116)	68
Gain on disposal of subsidiary	-	(2,105)
Gain on liquidation of associates	(5,981)	-
Gain on disposal of available-for-sale investments	-	(105)
Interest expense	27,702	18,140
Interest income	(2,875)	(1,372)
Dividend income	(672)	(359)
Profit before working capital changes	101,733	73,007
Payables and accrued expenses	2,494	2,670
Completed properties held for sale	12,233	1,710
Receivables and prepayments	1,239	(3,601)
Held-for-trading investments	16,977	(24,785)
Inventories	(898)	(729)
Cash generated from operations	133,778	48,272
Dividend paid	(18,165)	(18,121)
Dividend received	672	359
Interest received	2,875	1,372
Interest paid	(27,702)	(18,140)
Income tax paid	(7,902)	(6,694)
Net cash from operating activities	83,556	7,048
<b>Cash flows from investing activities:</b>		
Acquisition of a joint venture company and a subsidiary (see Note A below)	(47,487)	-
Disposal of subsidiary (see Note B below)	-	4,825
Acquisition of additional interest in a subsidiary	-	(8,527)
Additional intangible assets	-	(66)
Additional investment properties	(188)	(189)
Additional property, plant and equipment	(136,004)	(65,209)
Additional available-for-sale investment	(2,900)	-
Development properties and expenditure	(230,559)	1,726
Net investment in associates	(13,170)	16,113
Advances from minority shareholders	54,115	10,066
Proceeds from disposal of investment properties	2,076	944
Proceeds from disposal of available-for-sale investments	-	4,460
Proceeds from disposal of property, plant and equipment	1,826	34,093
Cash used in investing activities	(372,291)	(1,764)
<b>Cash flows from financing activities:</b>		
Additional bank loans	297,395	21,360
Additional other long-term payables	26,975	-
Proceeds from issue of shares	1,562	1,015
Cash from financing activities	325,932	22,375
Net effect of exchange rate changes in consolidation	381	(306)
Net increase in cash and bank balances	37,578	27,353
Cash and bank balances at beginning of year	90,926	63,573
Cash and bank balances at end of year	128,504	90,926

	Year ended Dec 31, 2006 \$'000	Year ended Dec 31, 2005 \$'000
<b>Note A : Summary of cash outflow arising from acquisition of joint venture company/subsidiary</b>		
Current assets	78,668	-
Current liabilities	(38,991)	-
Net current assets	39,677	-
Property, plant and equipment	48,801	-
Other non-current liabilities	(39,886)	-
Net assets acquired	48,592	-
Negative goodwill	(655)	-
Purchase consideration	47,937	-
Cash of joint venture company/subsidiary acquired	(450)	-
Cash outflow arising from acquisition of joint venture company/subsidiary	47,487	-
<b>Note B : Summary of cash inflow arising from disposal of subsidiary</b>		
Current assets	-	6,082
Current liabilities	-	(3,131)
Net current assets	-	2,951
Property, plant and equipment	-	2,609
Other non-current assets	-	129
Other non-current liabilities	-	(160)
Net assets	-	5,529
Realisation of exchange reserves	-	343
	-	5,872
Share of net assets disposed	-	2,995
Gain on disposal of subsidiary	-	2,105
Proceeds from disposal of subsidiary	-	5,100
Cash of subsidiary disposed	-	(275)
Cash inflow arising from disposal of subsidiary	-	4,825

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

	Share 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
<b>GROUP</b>												
Balance as at Jan 1, 2005, as restated	453,024	121,092	271,495	(44,287)	19,899	-	-	-	164,424	985,647	54,114	1,039,761
Prospective effect of changes in accounting policies:												
- FRS 39	-	-	-	(1,383)	-	356	-	-	1,383	356	-	356
- FRS 103	-	-	-	-	(19,899)	-	-	-	36,505	16,606	-	16,606
Exchange fluctuation differences	-	-	-	(5,336)	-	-	-	-	-	(5,336)	213	(5,123)
Adjustment arising from acquisition of additional interest in a subsidiary	-	-	-	-	1,990	-	-	-	-	1,990	-	1,990
Fair value changes in available-for-sale investments	-	-	-	-	-	-	-	1,927	-	1,927	-	1,927
Gain on cash flow hedge	-	-	-	-	-	152	-	-	-	152	-	152
Net profit (loss) not recognised in the consolidated profit and loss statement	-	-	-	(5,336)	1,990	152	-	1,927	-	(1,267)	213	(1,054)
Transfer to profit and loss statement during the year	-	-	(3,606)	-	-	-	-	-	-	(3,606)	-	(3,606)
Share-based payments during the year	-	-	-	-	-	-	211	-	-	211	-	211
Net movement during the year	-	-	-	-	-	-	-	-	-	-	(176)	(176)
Net profit for the year	-	-	-	-	-	-	-	-	38,338	38,338	(1,926)	36,412
Final dividend for the previous year, paid	-	-	-	-	-	-	-	-	(18,121)	(18,121)	-	(18,121)
Issue of shares	1,015	-	-	-	-	-	-	-	-	1,015	-	1,015
Balance as at Dec 31, 2005	454,039	121,092	267,889	(51,006)	1,990	508	211	1,927	222,529	1,019,179	52,225	1,071,404

	Share 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
<b>GROUP</b>												
Effect of changes in accounting policies (Note 5): - FRS 40	-	-	(40,849)	-	-	-	-	-	27,273	(13,576)	-	(13,576)
Balance as restated	454,039	121,092	227,040	(51,006)	1,990	508	211	1,927	249,802	1,005,603	52,225	1,057,828
Exchange fluctuation differences	-	-	-	(7,132)	-	-	-	-	-	(7,132)	(1,547)	(8,679)
Fair value changes in available-for-sale investments	-	-	-	-	-	-	-	3,671	-	3,671	-	3,671
Loss on cash flow hedge	-	-	-	-	-	(432)	-	-	-	(432)	-	(432)
Net profit (loss) not recognised in the consolidated profit and loss statement	-	-	-	(7,132)	-	(432)	-	3,671	-	(3,893)	(1,547)	(5,440)
Transfer to profit and loss statement during the year	-	-	(4,027)	-	-	-	-	-	-	(4,027)	-	(4,027)
Share-based payments during the year	-	-	-	-	-	-	475	-	-	475	-	475
Net movement during the year	-	-	-	-	-	-	-	-	-	-	87,537	87,537
Net profit for the year	-	-	-	-	-	-	-	-	98,966	98,966	571	99,537
Share of reserves of associates arising during the year	-	-	-	-	-	1,956	-	106	-	2,062	-	2,062
Adjustment during the period	-	(207)	80	-	-	-	-	127	-	-	-	-
Adjustment arising from abolition of par value of shares <sup>(1)</sup>	120,885	(120,885)	-	-	-	-	-	-	-	-	-	-
Final dividend for the previous year, paid	-	-	-	-	-	-	-	-	(18,165)	(18,165)	-	(18,165)
Issue of shares	1,562	-	-	-	-	-	-	-	-	1,562	-	1,562
Balance as at Dec 31, 2006	576,486	-	223,093	(58,138)	1,990	2,032	686	5,831	330,603	1,082,583	138,786	1,221,369

	Share capital \$'000	Share premium \$'000	Asset revaluation reserve \$'000	Hedge reserve \$'000	Option reserve \$'000	Retained profits \$'000	Total \$'000
<b>COMPANY</b>							
Balance as at Jan 1, 2005	453,024	120,885	110,785	-	-	18,812	703,506
Gain on cash flow hedge	-	-	-	138	-	-	138
Share-based payments during the year	-	-	-	-	211	-	211
Net profit for the year	-	-	-	-	-	19,489	19,489
Final dividend for the previous year, paid	-	-	-	-	-	(18,121)	(18,121)
Issue of shares	1,015	-	-	-	-	-	1,015
Balance as at Dec 31, 2005	454,039	120,885	110,785	138	211	20,180	706,238
Loss on cash flow hedge	-	-	-	(62)	-	-	(62)
Share-based payments during the year	-	-	-	-	475	-	475
Net profit for the year	-	-	-	-	-	19,713	19,713
Adjustment arising from abolition of par value of shares <sup>(1)</sup>	120,885	(120,885)	-	-	-	-	-
Final dividend for the previous year, paid	-	-	-	-	-	(18,165)	(18,165)
Issue of shares	1,561	-	-	-	-	-	1,561
Balance as at Dec 31, 2006	576,485	-	110,785	76	686	21,728	709,760

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 period reported on to the date of this announcement, 1,150,000 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 December 31, 2006 was 1,135,000 (as at end of previous financial year was 2,470,000).

## 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 Group has also early adopted FRS 40 - *Investment Property* that is effective for financial years beginning on or after January 1, 2007. The effects of the adoption of the new/revised FRS are disclosed below.

### 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.

### FRS 40 - *Investment Property*

Investment properties are measured using either a fair value model or a cost model. Changes to the fair value is recognised in the profit or loss under the fair value model. If the cost model is used, an investment property is stated at depreciated cost less any accumulated impairment losses.

## 6. Earnings Per Share

	Year ended Dec 31, 2006	Year ended Dec 31, 2005
Based on the weighted average number of ordinary shares in issue	21.78 cents	8.45 cents
On a fully diluted basis	21.68 cents	8.43 cents

## 7. Net Asset Value

	Dec 31, 2006	Dec 31, 2005
GROUP	\$2.38	\$2.24
COMPANY	\$1.56	\$1.56

## 8. Review of Performance

For the year ended December 31, 2006, the Group achieved a turnover of \$355.4 million, a 16.8% increase over the \$304.2 million achieved last year. The improvement was due to higher revenue generated by the Group's Hotels and Properties divisions.

The Group adopted *FRS 40 Investment Property* during the year under review. Following the adoption of this accounting standard, the revaluation reserves resulting from the revaluation of investment properties of \$27.3 million as at January 1, 2006 were transferred to Retained Profits and an amount of \$55.7 million for fair value changes to the investment properties during the year has been reflected as a gain in the Group's Income Statement for the year ended December 31, 2006.

With the above fair value gain, the Group recorded Profit before tax of \$120.2 million for the year under review, more than double the \$46.8 million achieved last year. Excluding the fair value gain, the Group's Profit before tax for current year would have been \$64.5 million, with improvement coming mainly from recognition of profits from Robertson Blue development which attained Temporary Occupation Permit in May 2006, recognition of profits from the Met Bangkok development on percentage of completion basis as well as gain on sale of condominium units at Four Seasons Park. The Group also recorded fair value gains and profits on sale of short-term quoted investments as the stock markets picked up towards the end of the year.

Despite the outstanding performance of the Group's hotels in Singapore, the bottomline of this Division was adversely affected by pre-opening expenses incurred by the Kuda Huraa and Landaa Giraavaru resorts in the Maldives, which commenced operation in September and November 2006. The resorts in Bali also did not perform as well as last year as a result of the terrorist bombing in October 2005. Hotel division's segment results for 2005 included a gain on disposal of Concorde Hotel Gold Coast of \$14 million, which is non-recurring.

The Group's interest expense increased by 53% from \$18.1 million to \$27.7 million due to higher borrowings as a result of new investments in Kensington High Street, London, 21st Century Tower in Shanghai, and en bloc purchase of Beverly Mai, Singapore. These acquisitions also resulted in an increase in the value of the Group's assets, such as development properties and property plant and equipment as reflected in the Group's Balance Sheet as at December 31, 2006.

Group net profit after tax and minority interest for the year ended December 31, 2006 was \$99 million compared to \$38.3 million last year.

## 9. Variance from Previous Forecast or Prospect Statement

The current announced results are in line with the commentary made in paragraph 10 of the third quarter financial statement announcement released on November 9, 2006.

## 10. Outlook and Prospects

In Singapore, the outlook for the property market and hotel industry remains positive. The reopening of Four Seasons Resort Maldives at Kuda Huraa and the opening of the new Four Seasons Resort Maldives at Landaa Giraavaru in late 2006 are expected to contribute positively to the Group's operating results for 2007. The Group's hotels in Bali are expected to perform satisfactorily, given that Bali has been free of adverse events since 2005. Barring unforeseen circumstances, the Group's operating performance in 2007 is expected to be profitable.

## 11. Dividend

### (a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	First & Final	Special
Dividend Type	Cash	Cash
Dividend Rate	2.5 cents per ordinary share (less tax)	2.5 cents per ordinary share (less tax)
Tax Rate	18%	18%

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	First & Final	Special
Dividend Type	Cash	Cash
Dividend Rate	2.5 cents per ordinary share (less tax)	2.5 cents per ordinary share (less tax)
Tax Rate	20%	20%

**(c) Date payable**

Will be announced at a later date.

**(d) Books closure date**

Notice will be given at a later date of the date of closure of the transfer books and register of members.

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

N.A.

**13. Segmental Revenue and Results**

Information by business segment

Year ended December 31, 2006

	Hotels \$'000	Properties \$'000	Others \$'000	Elimination \$'000	Consolidated \$'000
<b>REVENUE</b>					
External sales	273,116	82,166	115		355,397
Inter-segment sales		205		(205)	-
Total revenue	273,116	82,371	115	(205)	355,397
<b>RESULTS</b>					
Segment results*	27,563	90,364	16,352		134,279
Interest expense					(27,702)
Interest income					2,789
Share of results of associates	(91)	9,877	1,041		10,827
Income tax expense					(20,656)
Minority interests					(571)
Net profit					98,966

Year ended December 31, 2005

	Hotels \$'000	Properties \$'000	Others \$'000	Elimination \$'000	Consolidated \$'000
<b>REVENUE</b>					
External sales	245,195	41,841	17,149		304,185
Inter-segment sales		327		(327)	-
Total revenue	245,195	42,168	17,149	(327)	304,185
<b>RESULTS</b>					
Segment results*	36,854	15,266	479		52,599
Interest expense					(18,140)
Interest income					1,372
Share of results of associates	6,335	4,113	518		10,966
Income tax expense					(10,385)
Minority interests					1,926
Net profit					38,338

\* Segment results represent profit/loss before interest and tax

**14. Review of Performance by Business Segments**

Please refer to item 8 above.

**15. Breakdown of Sales**

	Latest Financial Year \$'000 Group	Previous Financial Year \$'000 Group	% increase/(decrease) Group
(a) Sales reported for first half year	156,230	140,900	10.88
(b) Operating profit after tax before deducting minority interests reported for first half year	7,703	5,960	29.24
(c) Sales reported for second half year	199,167	163,285	21.98
(d) Operating profit after tax before deducting minority interests reported for second half year	91,834	30,452	201.57

**16. Breakdown of Total Annual Dividend**

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	18,670	18,162
Preference	-	-
Total:	18,670	18,162

**17. Interested Person Transactions ("IPT")**

Name of Interested Person	Aggregate value of all IPT during the financial year (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	9,242	-
- Management fee expense	689	-

**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  
February 27, 2007