

# HOTEL PROPERTIES LIMITED

## Full Year Financial Statement And Dividend Announcement

### 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	
	Year ended Dec 31, 2003	Year ended Dec 31, 2002
Revenue	279,860	348,233
Cost of sales	(214,558)	(256,548)
Gross profit	65,302	91,685
Other operating income	8,041	5,810
Distribution costs	(2,729)	(3,111)
Administrative expenses	(37,879)	(43,171)
Other operating expenses	(5,574)	(4,013)
Profit from operations	27,161	47,200
Finance costs	(14,735)	(18,250)
Other non-operating income	6,006	3,098
Profit before income tax and share of results of associates	18,432	32,048
Share of results of associates	(4,091)	(4,416)
Profit before income tax	14,341	27,632
Income tax expense	(5,773)	(7,797)
Profit after income tax	8,568	19,835
Minority interests	(3,861)	(3,828)
Net profit attributable to shareholders	4,707	16,007

Notes to the above income statement:

	GROUP \$'000	
	Year ended Dec 31, 2003	Year ended Dec 31, 2002
Investment income	1,417	74
Other income including interest income	3,333	5,736
Interest on borrowings	(14,735)	(18,250)
Depreciation and amortisation	(40,371)	(41,622)
Bad debts written off	(6)	(70)
Allowance for doubtful trade debts	(237)	(169)
Allowance for inventories written back	1,324	3,343
Impairment loss in associates	(72)	(640)
Impairment loss in property, plant and equipment	(742)	(4,445)
Write back of (Impairment loss) in short-term investments	2,072	(1,076)
Write back of (Impairment loss) in long-term investments	1,077	(1,484)
Foreign exchange gain (loss)	1,082	(71)
Adjustment for over (under) provision of tax in respect of prior years	1,115	(2,496)
Plant and equipment written off	(881)	(1,262)
Gain on disposal of short-term investments	1,221	-
Gain on disposal of long-term investments	832	-
Gain on disposal of investment properties	398	-
Gain on disposal of property, plant and equipment	479	12,168
Gain on disposal of subsidiaries	4,160	-
Loss on dilution of interest in an associate	(294)	-

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	
	Dec 31, 2003	Dec 31, 2002	Dec 31, 2003	Dec 31, 2002
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	84,347	112,685	17,527	14,531
Short-term investments	6,428	22,623	-	-
Trade receivables	20,469	60,545	1,382	1,100
Other receivables and prepayments	19,503	19,042	802	867
Inventories	7,899	10,706	219	246
Development properties	27,367	18,589	-	-
Completed properties held for sale	10,349	14,941	-	-
<b>Total current assets</b>	<b>176,362</b>	<b>259,131</b>	<b>19,930</b>	<b>16,744</b>
<b>Non-current assets:</b>				
Associates	87,651	98,602	12,997	13,674
Subsidiaries	-	-	722,723	797,119
Other long-term investments	29,476	37,784	-	-
Property, plant and equipment	1,051,058	984,533	230,506	233,985
Investment properties	281,104	277,020	-	-
Expenditure carried forward	11,431	12,490	292	422
Negative goodwill	(16,833)	-	-	-
<b>Total non-current assets</b>	<b>1,443,887</b>	<b>1,410,429</b>	<b>966,518</b>	<b>1,045,200</b>
<b>Total assets</b>	<b>1,620,249</b>	<b>1,669,560</b>	<b>986,448</b>	<b>1,061,944</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Bank loans	28,389	101,460	-	-
Trade payables	30,330	40,331	8,390	9,394
Other payables	33,347	28,707	-	-
Income tax payables	5,766	31,272	400	1,008
<b>Total current liabilities</b>	<b>97,832</b>	<b>201,770</b>	<b>8,790</b>	<b>10,402</b>
<b>Non-current liabilities</b>				
Long-term bank loans	543,393	479,800	223,426	238,884
Other long-term payables	-	1,086	-	-
Advances from subsidiaries	-	-	62,637	118,943
Deferred tax liabilities	4,147	5,544	1,213	1,686
<b>Total non-current liabilities</b>	<b>547,540</b>	<b>486,430</b>	<b>287,276</b>	<b>359,513</b>
<b>Minority interests</b>	<b>49,649</b>	<b>68,308</b>	<b>-</b>	<b>-</b>
<b>Share capital and reserves:</b>				
Issued capital	453,024	453,024	453,024	453,024
Reserves	472,204	460,028	237,358	239,005
<b>Total equity</b>	<b>925,228</b>	<b>913,052</b>	<b>690,382</b>	<b>692,029</b>
<b>Total liabilities and equity</b>	<b>1,620,249</b>	<b>1,669,560</b>	<b>986,448</b>	<b>1,061,944</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 31/12/2003		As at 31/12/2002	
Secured	Unsecured	Secured	Unsecured
\$28,389,000	-	\$88,634,000	\$12,826,000

**Amount repayable after one year**

As at 31/12/2003		As at 31/12/2002	
Secured	Unsecured	Secured	Unsecured
\$393,393,000	\$150,000,000	\$329,713,000	\$150,087,000

**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**

	Year ended Dec 31, 2003 \$'000	Year ended Dec 31, 2002 \$'000
<b>Cash flows from operating activities:</b>		
Profit before income tax and share of results of associates	18,432	32,048
Adjustments for:		
Amortisation of expenditure carried forward	1,751	1,390
Depreciation expense	38,620	40,232
Impairment loss in property, plant and equipment	742	4,445
Impairment loss in associates	72	640
(Write back of) Impairment loss in long-term investments	(1,077)	1,484
Plant and equipment written off	881	1,262
Expenditure carried forward written off	13	1,484
Gain on disposal of property, plant and equipment	(479)	(12,168)
Gain on disposal of investment property	(398)	-
Gain on disposal of long-term investments	(832)	-
Gain on disposal of subsidiaries	(4,160)	-
Loss on dilution of interest in an associate	294	-
Interest expense	14,735	18,250
Interest income	(2,263)	(3,597)
Dividend income	(1,417)	(74)
Profit before working capital changes	64,914	85,396
Payables and accrued expenses	1,567	(4,680)
Completed properties held for sale	4,592	(262)
Receivables and prepayments	33,291	11,862
Short-term investments	16,195	(17,914)
Inventories	(4,962)	1,161
Cash generated from operations	115,597	75,563
Dividend paid	(8,834)	(8,834)
Dividend received	1,417	74
Interest received	2,263	3,597
Interest paid	(14,735)	(18,250)
Income tax paid	(31,568)	(8,242)
Net cash from operating activities	64,140	43,908
<b>Cash flows from investing activities:</b>		
Disposal of subsidiaries (see Note A below)	864	(200)
Acquisition of additional interest in a subsidiary	(4,532)	(6,822)
Additional expenditure carried forward	(472)	(1,230)
Development properties and expenditure	(8,778)	69,294
Additional investment properties	(72)	(230)
Net investment in associates	9,449	(2,214)
Additional property, plant and equipment	(97,681)	(97,513)
Additional long-term investments	(1,965)	(2,725)
Advance (to) from minority shareholders	(365)	1,432
Proceeds from disposal of investment property	4,758	-
Proceeds from disposal of long-term investments	2,626	-
Proceeds from disposal of property, plant and equipment	2,448	48,637
Cash (used in) from investing activities	(93,720)	8,429
<b>Cash flows from financing activities:</b>		
Repayment of term loans	(2,967)	(91,775)
Long-term payables	-	(1,116)
Proceeds from issue of share capital	-	28
Cash used in financing activities	(2,967)	(92,863)
Net effect of exchange rate changes in consolidation	4,209	(1,468)
Net decrease in cash	(28,338)	(41,994)
Cash at beginning of year	112,685	154,679
Cash at end of year	84,347	112,685

<b>Note A : Summary of effects of disposal of subsidiaries</b>		
Current assets	14,938	169
Current liabilities	(14,449)	(391)
Net current assets (liabilities)	489	(222)
Property, plant and equipment	920	20
Other non-current (liabilities) assets	(351)	9
	1,058	(193)
Less: Minority interests	(265)	-
Net assets (liabilities) disposed	793	(193)
Realisation of exchange reserves	(1,203)	-
Gain on disposal of subsidiaries	4,160	-
Proceeds from disposal of subsidiaries	3,750	-
Cash of subsidiaries disposed	(2,886)	(7)
Cash flows arising from disposal of subsidiaries	864	(200)

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	Reserve on consolidation \$'000	Retained profits \$'000	Dividend reserve \$'000	Total \$'000
<b>GROUP</b>								
Balance as at Jan 1, 2002 - as previously reported	452,999	121,089	205,363	(54,227)	19,899	151,938	8,550	905,611
Effect of change in accounting policy (Note 5)	-	-	11,422	-	-	(11,422)	-	-
Balance as restated	452,999	121,089	216,785	(54,227)	19,899	140,516	8,550	905,611
Exchange fluctuation differences	-	-	-	2,472	-	-	-	2,472
Adjustment arising from acquisition/ disposal of subsidiaries	-	-	-	(2,241)	-	-	-	(2,241)
Share of revaluation reserve of associates arising during the year	-	-	9	-	-	-	-	9
Net profit not recognised in the consolidated profit and loss statement	-	-	9	231	-	-	-	240
Net profit for the year	-	-	-	-	-	16,007	-	16,007
Final dividends for the previous year, paid	-	-	-	-	-	(284)	(8,550)	(8,834)
Final dividends for the current year, proposed	-	-	-	-	-	(8,834)	8,834	-
Issue of share capital	25	3	-	-	-	-	-	28
Balance as at Dec 31, 2002	453,024	121,092	216,794	(53,996)	19,899	147,405	8,834	913,052

Exchange fluctuation differences	-	-	-	17,382	-	-	-	17,382
Adjustment arising from disposal of subsidiaries	-	-	-	(1,203)	-	-	-	(1,203)
Share of revaluation reserve of associates arising during the year	-	-	124	-	-	-	-	124
Net profit not recognised in the consolidated profit and loss statement	-	-	124	16,179	-	-	-	16,303
Net profit for the year	-	-	-	-	-	4,707	-	4,707
Final dividends for the previous year, paid	-	-	-	-	-	-	(8,834)	(8,834)
Final dividends for the current year, proposed	-	-	-	-	-	(8,834)	8,834	-
Balance as at Dec 31, 2003	453,024	121,092	216,918	(37,817)	19,899	143,278	8,834	925,228
<b>COMPANY</b>								
Balance as at Jan 1, 2002	452,999	120,882	110,785	(11,800)	-	1,716	8,550	683,132
Net gain not recognised in the profit and loss statement, being exchange fluctuation differences	-	-	-	5,758	-	-	-	5,758
Net profit for the year	-	-	-	-	-	11,945	-	11,945
Final dividends for the previous year, paid	-	-	-	-	-	(284)	(8,550)	(8,834)
Final dividends for the current year, proposed	-	-	-	-	-	(8,834)	8,834	-
Issue of share capital	25	3	-	-	-	-	-	28
Balance as at Dec 31, 2002	453,024	120,885	110,785	(6,042)	-	4,543	8,834	692,029
Net gain not recognised in the profit and loss statement, being exchange fluctuation differences	-	-	-	374	-	-	-	374
Net profit for the year	-	-	-	-	-	6,813	-	6,813
Final dividends the previous year, paid	-	-	-	-	-	-	(8,834)	(8,834)
Final dividends the current year, proposed	-	-	-	-	-	(8,834)	8,834	-
Balance as at Dec 31, 2003	453,024	120,885	110,785	(5,668)	-	2,522	8,834	690,382

- 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 to the date of this announcement.

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

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice**

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 a 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 for the adoption of Financial Reporting Standard ("FRS") 16 - Property, Plant and Equipment as explained in paragraph 5.

- 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 and Company adopted FRS 16 - Property, Plant and Equipment which became effective during the year. FRS 16 no longer defines "same assets" as "a class of assets". Before the adoption of FRS 16, any net revaluation surplus from revaluation of fixed assets of the Group is credited to the asset revaluation reserve, except to the extent that it reverses a net revaluation deficit for fixed assets of the Group previously recognised as an expense, in which case the surplus is credited to the profit and loss statement to the extent of the deficit previously charged. A net deficit in carrying amount arising on the revaluation of fixed assets of the Group is charged as an expense to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of the Group's fixed assets. The same treatment was applied to revaluation of investment properties.

With the adoption of FRS 16, the revaluation surplus or deficit of an asset is accounted for individually. Revaluation surplus from the revaluation of an asset is credited to the asset revaluation reserve unless it relates to a previous deficit for that same asset that was charged as an expense. A revaluation deficit of an asset is charged as an expense unless it offsets a previous surplus of that same asset.

Following the adoption of FRS 16, an amount of S\$11.4 million has been adjusted against the retained earnings and asset revaluation reserve retrospectively with no impact to the shareholders' funds.

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

	Year ended Dec 31, 2003	Year ended Dec 31, 2002
Based on the weighted average number of ordinary shares in issue	1.04 cents	3.53 cents
On a fully diluted basis	1.04 cents	3.53 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**

	Dec 31, 2003	Dec 31, 2002
GROUP	\$2.04	\$2.02
COMPANY	\$1.52	\$1.53

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of 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**

2003 had been a challenging year for the Group. The war in Iraq and the SARS outbreak as well as the continuing fears of terrorism had adverse effects on the various business sectors which the Group operates in. Nevertheless, the Group remained profitable, recording a profit before income tax of \$14.3 million for the year ended December 31, 2003, 48.1% lower than the \$27.6 million recorded for the year ended December 31, 2002. Group turnover also decreased by 19.6% from \$348.2 million last year to \$279.9 million for year 2003.

The Group's hotel division suffered during the first half of 2003 as a result of events mentioned above. However, it saw recovery from the third quarter onwards as SARS was brought under control. The Group also benefited from geographical diversification during this crisis period as the Four Seasons Resort in Maldives remained unaffected by the various world events and continued with its significant contributions to the Hotel Division's bottomline. The Group's Hard Rock Hotel in Pattaya also achieved better results than last year.

The Retail Division turned around as a result of disposal of the loss making HPL-21 Holdings Pte Ltd Group, which operates Donna Karan and DKNY shops in Hong Kong and Taiwan.

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

The current announced results are in line with the commentary made in paragraph 10 of the third quarter financial statement announcement released on November 28, 2003 and the subsequent additional information released on December 5, 2003.

**10. A commentary at the date of the announcement of the significant trends and 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**

The Group's performance is very susceptible to regional acts of terrorism, or the threat of such acts, to outbreaks of communicable diseases and of course to the possibility of adverse conditions arising in the world's major economies. Absent such events, and barring unforeseen circumstances, the Group's operating results for 2004 are expected to show an improvement over those of the preceding year.



**11. Dividend****(a) Current Financial Period Reported On**

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

Name of Dividend	First & Final
Dividend Type	Cash
Dividend Rate	2.5 cents per ordinary share (less tax)
Par value of shares	\$1.00
Tax Rate	22%

**(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
Dividend Type	Cash
Dividend Rate	2.5 cents per ordinary share (less tax)
Par value of shares	\$1.00
Tax Rate	22%

**(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.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Information by business segment

Year ended December 31, 2003

	Hotels \$'000	Properties \$'000	Retail and Distribution \$'000	Others \$'000	Elimination \$'000	Consolidated \$'000
<b>REVENUE</b>						
External sales	213,791	23,917	42,152	-		279,860
Inter-segment sales		352			(352)	-
Total revenue	213,791	24,269	42,152	-	(352)	279,860
<b>RESULTS</b>						
Segment results*	12,628	15,866	2,326	84		30,904
Interest expense						(14,735)
Interest income						2,263
Share of results of associates	(224)	(1,118)	(2,653)	(96)		(4,091)
Income tax expense						(5,773)
Minority interests						(3,861)
Net profit						4,707

Year ended December 31, 2002

	Hotels \$'000	Properties \$'000	Retail and Distribution \$'000	Others \$'000	Elimination \$'000	Consolidated \$'000
<b>REVENUE</b>						
External sales	245,199	30,364	70,243	2,427		348,233
Inter-segment sales		221			(221)	-
Total revenue	245,199	30,585	70,243	2,427	(221)	348,233
<b>RESULTS</b>						
Segment results*	43,388	13,141	(7,269)	(2,559)		46,701
Interest expense						(18,250)
Interest income						3,597
Share of results of associates	(1,259)	(1,008)	(482)	(1,667)		(4,416)
Income tax expense						(7,797)
Minority interests						(3,828)
Net profit						16,007

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

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Please refer to item 8 above.

**15. A breakdown of sales**

	Latest Financial Year \$'000 Group	Previous Financial Year \$'000 Group	% increase/(decrease) Group
(a) Sales reported for first half year	124,941	180,603	(30.82)
(b) Operating (loss) profit after tax before deducting minority interests reported for first half year	(8,646)	14,311	Not meaningful
(c) Sales reported for second half year	154,919	167,630	(7.58)
(d) Operating profit after tax before deducting minority interests reported for second half year	17,214	5,524	211.62

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	8,834	8,834
Preference	-	-
Total:	8,834	8,834

**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 Peter Y S Fu / Mr Ong Beng Seng / Mr David Fu Kuo Chen		
- Rental income	4,352	2,101
- Management fee income	698	283
- Management fee expense	331	259
- Disposal of certain subsidiaries	3,750	-

**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  
 February 26, 2004