

HOTEL PROPERTIES LIMITED

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 June 30, 2003	Quarter ended June 30, 2002
Revenue	52,595	81,120
Cost of sales	(49,923)	(61,109)
Gross profit	2,672	20,011
Other operating income	4,944	1,117
Administrative expenses	(8,638)	(10,683)
Other operating expenses	(1,478)	(1,817)
(Loss) profit from operations	(2,500)	8,628
Finance costs	(3,576)	(4,831)
Other non-operating (expense) income	(407)	1,649
(Loss) profit before income tax and share of results of associates	(6,483)	5,446
Share of results of associates	(2,198)	(287)
(Loss) profit before income tax	(8,681)	5,159
Income tax	(895)	412
(Loss) profit after income tax	(9,576)	5,571
Minority interests	737	(416)
Net (loss) profit attributable to shareholders	(8,839)	5,155

Notes to the above income statement:

	GROUP \$'000	
	Quarter ended June 30, 2003	Quarter ended June 30, 2002
Investment income	731	68
Other income including interest income	862	1,049
Interest on borrowings	(3,576)	(4,831)
Depreciation and amortisation	(10,161)	(10,199)
Allowance for doubtful trade debts	(94)	(42)
Allowance for inventories written back	60	806
Impairment loss in associates	(64)	(402)
Impairment loss in property, plant and equipment	(742)	-
Impairment loss in short-term investments written back	3,218	148
Foreign exchange gain	601	1,853
Adjustment for underprovision of tax in respect of prior years	(329)	(2,050)
Plant and equipment written off	(335)	(103)
Gain on sale of short-term investments	134	-
(Loss) gain on disposal of property, plant and equipment	(94)	6

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	
	30 Jun 2003	31 Dec 2002	30 Jun 2003	31 Dec 2002
ASSETS				
Current assets:				
Cash	87,259	112,685	5,445	14,531
Short-term investments	15,150	22,623	-	-
Trade receivables	23,387	60,545	1,069	1,100
Other receivables and prepayments	15,574	19,042	880	867
Inventories	12,485	10,706	190	246
Development properties	18,685	18,589	-	-
Completed properties held for sale	14,941	14,941	-	-
Total current assets	187,481	259,131	7,584	16,744
Non-current assets:				
Associates	95,555	98,602	13,674	13,674
Subsidiaries	-	-	816,011	797,119
Other long-term investments	40,134	37,784	-	-
Property, plant and equipment	1,039,756	984,533	232,330	233,985
Investment properties	277,087	277,020	-	-
Expenditure carried forward	12,007	12,490	357	422
Total non-current assets	1,464,539	1,410,429	1,062,372	1,045,200
Total assets	1,652,020	1,669,560	1,069,956	1,061,944
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans	52,978	101,460	-	-
Trade payables	37,682	40,331	9,515	9,394
Other payables	26,143	28,707	-	-
Income tax payables	11,449	31,272	216	1,008
Total current liabilities	128,252	201,770	9,731	10,402
Non-current liabilities				
Long-term bank loans	538,386	479,800	225,811	238,884
Other long-term payables	1,100	1,086	-	-
Advances from subsidiaries	-	-	148,599	118,943
Deferred tax liabilities	5,406	5,544	1,397	1,686
Total non-current liabilities	544,892	486,430	375,807	359,513
Minority interests	69,830	68,308	-	-
Share capital and reserves:				
Issued capital	453,024	453,024	453,024	453,024
Reserves	456,022	460,028	231,394	239,005
Total equity	909,046	913,052	684,418	692,029
Total liabilities and equity	1,652,020	1,669,560	1,069,956	1,061,944

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

Amount repayable in one year or less, or on demand

As at 30/6/2003		As at 31/12/2002	
Secured	Unsecured	Secured	Unsecured
\$40,337,000	\$12,641,000	\$88,634,000	\$12,826,000

Amount repayable after one year

As at 30/6/2003		As at 31/12/2002	
Secured	Unsecured	Secured	Unsecured
\$388,298,000	\$150,088,000	\$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**

	Quarter ended June 30, 2003 \$'000	Quarter ended June 30, 2002 \$'000
Cash flows from operating activities:		
(Loss) profit before income tax and share of results of associates	(6,483)	5,446
Adjustments for:		
Amortisation of expenditure carried forward	455	120
Depreciation expense	9,706	10,079
Impairment loss in short-term investments written back	(3,218)	(148)
Impairment loss in property, plant and equipment	742	-
Impairment loss in associates	64	402
Plant and equipment written off	335	103
Expenditure carried forward written off	-	206
Loss (gain) on disposal of property, plant and equipment	94	(6)
Interest expense	3,576	4,831
Interest income	(599)	(605)
Dividend income	(731)	(68)
Profit before working capital changes	3,941	20,360
Payables and accrued expenses	(724)	(2,485)
Completed properties held for sale	-	(74)
Receivables and prepayments	37,422	2,666
Short-term investments	10,207	(1,617)
Inventories	1,564	1,371
Cash generated from operations	52,410	20,221
Dividend paid	(8,834)	(8,834)
Dividend income received	731	68
Interest received	599	605
Interest paid	(3,576)	(4,831)
Income tax paid	(15,887)	(4,417)
Net cash from operating activities	25,443	2,812
Cash flows from investing activities:		
Additional expenditure carried forward	(237)	-
Development properties and expenditure	(50)	48,851
Additional investment properties	(54)	(74)
Net investment in associates	(107)	(244)
Additional property, plant and equipment	(10,220)	(68,217)
Long-term investments	(50)	(2,214)
Advance from minority shareholders	-	821
Proceeds from disposal of property, plant and equipment	864	12
Cash used in investing activities	(9,854)	(21,065)
Cash flows from financing activities:		
Repayment of term loans	(20,426)	(6,604)
Proceeds from issue of share capital	-	28
Cash used in financing activities	(20,426)	(6,576)
Net effect of exchange rate changes in consolidation	701	(2,259)
Net decrease in cash	(4,136)	(27,088)
Cash at beginning of period	91,395	169,300
Cash at end of period	87,259	142,212

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
GROUP								
Balance as at Apr 1, 2003 - as previously reported	453,024	121,092	205,379	(47,722)	19,899	158,142	8,834	918,648
Effect of change in accounting policy (Note 5)	-	-	11,422	-	-	(11,422)	-	-
Balance as restated	453,024	121,092	216,801	(47,722)	19,899	146,720	8,834	918,648
Exchange fluctuation differences	-	-	-	8,049	-	-	-	8,049
Share of revaluation reserve of associates arising during the period	-	-	22	-	-	-	-	22
Net profit not recognised in the consolidated profit and loss statement	-	-	22	8,049	-	-	-	8,071
Net loss for the period	-	-	-	-	-	(8,839)	-	(8,839)
Dividends for the previous year paid	-	-	-	-	-	-	(8,834)	(8,834)
Balance as at Jun 30, 2003	453,024	121,092	216,823	(39,673)	19,899	137,881	-	909,046
Balance as at Apr 1, 2002 - as previously reported	452,999	121,089	205,328	(50,899)	19,899	158,934	8,550	915,900
Effect of change in accounting policy (Note 5)	-	-	11,422	-	-	(11,422)	-	-
Balance as restated	452,999	121,089	216,750	(50,899)	19,899	147,512	8,550	915,900
Exchange fluctuation differences	-	-	-	(506)	-	-	-	(506)
Share of revaluation reserve of associates arising during the period	-	-	39	-	-	-	-	39
Net profit (loss) not recognised in the consolidated profit and loss statement	-	-	39	(506)	-	-	-	(467)
Net profit for the period	-	-	-	-	-	5,155	-	5,155
Dividends for the previous year paid	-	-	-	-	-	(284)	(8,550)	(8,834)

Issue of share capital	25	3	-	-	-	-	-	28
Balance as at Jun 30, 2002	453,024	121,092	216,789	(51,405)	19,899	152,383	-	911,782
COMPANY								
Balance as at Apr 1, 2003	453,024	120,885	110,785	(6,350)	-	3,479	8,834	690,657
Net gain not recognised in the profit and loss statement, being exchange fluctuation differences	-	-	-	47	-	-	-	47
Net profit for the period	-	-	-	-	-	2,548	-	2,548
Dividends for the previous year paid	-	-	-	-	-	-	(8,834)	(8,834)
Balance as at Jun 30, 2003	453,024	120,885	110,785	(6,303)	-	6,027	-	684,418
Balance as at Apr 1, 2002	452,999	120,882	110,785	(11,408)	-	206	8,550	682,014
Net gain not recognised in the profit and loss statement, being exchange fluctuation differences	-	-	-	3,251	-	-	-	3,251
Net profit for the period	-	-	-	-	-	5,365	-	5,365
Dividends for the previous year paid	-	-	-	-	-	(284)	(8,550)	(8,834)
Issue of share capital	25	3	-	-	-	-	-	28
Balance as at Jun 30, 2002	453,024	120,885	110,785	(8,157)	-	5,287	-	681,824

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 30 June 2003 and as at the end of previous financial year was 5,220,000.

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 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 period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Quarter ended June 30, 2003	Quarter ended June 30, 2002
Based on the weighted average number of ordinary shares in issue	(1.95) cents	1.14 cents
On a fully diluted basis	(1.95) cents	1.14 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

	June 30, 2003	Dec 31, 2002
GROUP	\$2.01	\$2.02
COMPANY	\$1.51	\$1.53

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**

Turnover for the Group for the second quarter of 2003 decreased by 35% to \$52.6 million from \$81.1 million in the corresponding quarter last year.

The outbreak of SARS in Singapore has severely affected the Group's hotel and retail operations. The Group's hotels, particularly those in Singapore, suffered badly from unprecedented low occupancy levels as the full impact of SARS was felt during the quarter under review. The resorts in Bali are also slow in their recovery after the terrorists' attack in October last year. Nevertheless, the Group's Hard Rock Hotel in Pattaya achieved better results than the corresponding period last year. Our resorts in Maldives and the recently acquired Fitzpatrick Hotel in New York also contributed positively to the Group's bottomline.

The Group's retail division also incurred higher losses during the quarter under review as compared to the corresponding period last year as sales plummeted as a result of customers shunning outdoor activities following the outbreak of SARS in March 2003.

To mitigate the losses, cost containment measures such as reduction in staff costs and rental costs were implemented.

With these extremely difficult operating conditions, the Group recorded a net loss of \$8.8 million in the second quarter ended June 30, 2003 compared to a net profit of \$5.2 million 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 2003 are in line with the commentary made in paragraph 10 of the Group's First Quarter Financial Statement Announcement released on May 28, 2003.

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**

With the containment of SARS, the hotel occupancy levels have started to improve. However, as the world continues to live under the threats of more terrorists' attacks such as the Marriot bombing in Jakarta and the possible SARS "come-back", it is difficult to predict the timing and extent of any sustained recovery for the Group at this point in time.

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 second quarter ended 30 June 2003 (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	410	839
- Management fee expense	-	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
21 August 2003