

# 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 Jun 30, 2004	Quarter ended Jun 30, 2003
Revenue	74,280	52,595
Cost of sales	(55,327)	(49,923)
Gross profit	18,953	2,672
Other operating income	1,277	4,944
Administrative expenses	(9,440)	(8,638)
Other operating expenses	(2,008)	(1,478)
Profit (Loss) from operations	8,782	(2,500)
Finance costs	(3,297)	(3,576)
Other non-operating income (expenses)	164	(407)
Profit (Loss) before income tax and share of results of associates	5,649	(6,483)
Share of results of associates	165	(2,198)
Profit (Loss) before income tax	5,814	(8,681)
Income tax	(2,051)	(895)
Profit (Loss) after income tax	3,763	(9,576)
Minority interests	(878)	737
Net profit (loss) attributable to shareholders	2,885	(8,839)

Notes to the above income statement:

	GROUP \$'000	
	Quarter ended Jun 30, 2004	Quarter ended Jun 30, 2003
Investment income	1,124	731
Other income including interest income	545	862
Interest on borrowings	(3,297)	(3,576)
Depreciation and amortisation	(10,467)	(10,161)
(Allowance for) Write back of allowance for inventories	(6)	60
(Impairment loss) Write-back of impairment loss in short-term investments	(956)	3,218
Impairment loss in property, plant and equipment	-	(742)
Foreign exchange gain	87	601
Adjustment for underprovision of tax in respect of prior years	(925)	(329)
Plant and equipment written off	(271)	(335)
(Loss) Gain on disposal of short-term investments	(392)	134
Gain (Loss) on disposal of property, plant and equipment	149	(94)
Gain on disposal of a long-term investment	185	-

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	
	Jun 30, 2004	Dec 31, 2003	Jun 30, 2004	Dec 31, 2003
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	66,882	84,347	6,471	17,527
Short-term investments	8,734	6,428	-	-
Trade receivables	22,053	20,469	1,264	1,382
Other receivables and prepayments	15,105	19,503	836	802
Inventories	7,562	7,899	188	219
Development properties	27,626	27,367	-	-
Completed properties held for sale	10,349	10,349	-	-
Total current assets	158,311	176,362	8,759	19,930
<b>Non-current assets:</b>				
Associates	81,452	87,651	12,997	12,997
Subsidiaries	-	-	708,668	722,723
Other long-term investments	29,483	29,476	-	-
Property, plant and equipment	1,127,580	1,051,058	229,923	230,506
Investment properties	280,617	281,104	-	-
Expenditure carried forward	17,652	11,431	227	292
Negative goodwill	(16,719)	(16,833)	-	-
Total non-current assets	1,520,065	1,443,887	951,815	966,518
<b>Total assets</b>	<b>1,678,376</b>	<b>1,620,249</b>	<b>960,574</b>	<b>986,448</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Bank loans	41,973	28,389	-	-
Trade payables	27,139	30,330	7,884	8,390
Other payables	27,972	33,347	-	-
Income tax payable	3,625	5,766	327	400
Total current liabilities	100,709	97,832	8,211	8,790
<b>Non-current liabilities</b>				
Long-term bank loans	542,430	543,393	205,842	223,426
Advances from subsidiaries	-	-	60,542	62,637
Deferred tax liabilities	2,789	4,147	829	1,213
Total non-current liabilities	545,219	547,540	267,213	287,276
<b>Minority interests</b>	<b>52,847</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	526,577	472,204	232,126	237,358
Total equity	979,601	925,228	685,150	690,382
<b>Total liabilities and equity</b>	<b>1,678,376</b>	<b>1,620,249</b>	<b>960,574</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 30/6/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
\$41,973,000	-	\$28,389,000	-

**Amount repayable after one year**

As at 30/6/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
\$392,430,000	\$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 Jun 30, 2004 \$'000	Quarter ended Jun 30, 2003 \$'000
<b>Cash flows from operating activities:</b>		
Profit (Loss) before income tax and share of results of associates	5,649	(6,483)
Adjustments for:		
Amortisation of expenditure carried forward	487	455
Depreciation expense	9,980	9,706
(Gain) Loss on disposal of property, plant and equipment	(149)	94
Gain on disposal of a long-term investment	(185)	-
Impairment loss (Write-back of impairment loss) in short-term investment	956	(3,218)
Impairment loss in property, plant and equipment	-	742
Impairment loss in associates	-	64
Plant and equipment written off	271	335
Expenditure carried forward written off	7	-
Release of negative goodwill	(58)	-
Interest expense	3,297	3,576
Interest income	(483)	(599)
Dividend income	(1,124)	(731)
Profit before working capital changes	18,648	3,941
Payables and accrued expenses	(1,503)	(724)
Receivables and prepayments	3,319	37,422
Short-term investments	(2,744)	10,207
Inventories	(140)	1,564
Cash generated from operations	17,580	52,410
Dividend paid	(9,060)	(8,834)
Dividend income received	1,124	731
Interest received	483	599
Interest paid	(3,297)	(3,576)
Income tax paid	(3,770)	(15,887)
Net cash from operating activities	3,060	25,443
<b>Cash flows from investing activities:</b>		
Acquisition of additional interest in a subsidiary	(10,229)	-
Acquisition of a subsidiary (Note A)	(3,943)	-
Additional expenditure carried forward	(9)	(237)
Additional investment properties	-	(54)
Additional property, plant and equipment	(11,061)	(10,220)
Additional long-term investments	-	(50)
Development properties and expenditure	(140)	(50)
Proceeds from disposal of a long-term investment	178	-
Proceeds from disposal of property, plant and equipment	241	864
Net investment in associates	(210)	(107)
Cash used in investing activities	(25,173)	(9,854)
<b>Cash flows from financing activities:</b>		
Additional (Repayment of) term loans	17,398	(20,426)
Cash from (used in) financing activities	17,398	(20,426)
Net effect of exchange rate changes in consolidation	170	701
Net decrease in cash	(4,545)	(4,136)
Cash at beginning of period	71,427	91,395
Cash at end of period	66,882	87,259
<b>Note A: Summary of cash flow arising from acquisition of a subsidiary</b>		
Current assets	2,987	-
Current liabilities	(368)	-
Net current assets	2,619	-
Property, plant and equipment	206	-
Other non-current liability	(713)	-
Net assets acquired	2,112	-
Goodwill on consolidation	3,533	-
Purchase consideration	5,645	-
Cash of subsidiary acquired	(1,702)	-
Cash flow arising from acquisition of a subsidiary	3,943	-

**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 Apr 1, 2004	453,024	121,092	216,918	(41,410)	19,899	147,849	9,060	926,432
Exchange fluctuation differences	-	-	-	(2,109)	-	-	-	(2,109)
Share of revaluation reserve of associates arising during the period	-	-	(851)	-	-	-	-	(851)
Adjustment arising from acquisition of additional interest in a subsidiary			62,304					62,304
Net gain not recognised in the consolidated profit and loss statement	-	-	61,453	(2,109)	-	-	-	59,344
Net profit for the period	-	-	-	-	-	2,885	-	2,885
Final dividend for the previous year, paid							(9,060)	(9,060)
Balance as at Jun 30, 2004	453,024	121,092	278,371	(43,519)	19,899	150,734	-	979,601
Balance as at Apr 1, 2003	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)
Final 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

COMPANY								
Balance as at Apr 1, 2004	453,024	120,885	110,785	(5,465)	-	1,784	9,060	690,073
Net loss not recognised in the profit and loss statement, being exchange fluctuation differences	-	-	-	(411)	-	-	-	(411)
Net profit for the period	-	-	-	-	-	4,548	-	4,548
Final dividends for the previous year paid	-	-	-	-	-	-	(9,060)	(9,060)
Balance as at Jun 30, 2004	453,024	120,885	110,785	(5,876)	-	6,332	-	685,150
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

- 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 June 30, 2004 was 3,710,000 (as at June 30, 2003 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.

**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 Jun 30, 2004	Quarter ended Jun 30, 2003
Based on the weighted average number of ordinary shares in issue	0.64 cents	(1.95) cents
On a fully diluted basis	0.64 cents	(1.95) 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**

	Jun 30, 2004	Dec 31, 2003
GROUP	\$2.16	\$2.04
COMPANY	\$1.51	\$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**

Group revenue in the second quarter of 2004 increased by 41% to \$74.3 million from \$52.6 million in the second quarter of 2003. Correspondingly, there was a significant improvement in the Group net profit attributable to shareholders to \$2.9 million from a net loss of \$8.8 million in second quarter of 2003.

The Group's hotel division was the biggest contributor to the improvement in both revenue and net profit. In Singapore, the business component came back with strong occupancies although rates remain competitive due to strong competition. The Group's resorts in Bali had also turned around, seeing both higher occupancies as well as room rates. Resorts in Maldives also continue to perform better than expected both in occupancies and room rates, although second quarter of the year is traditionally a low season for resorts in that area.

**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 2004 are in line with the commentary made in paragraph 10 of the Group's First Quarter Financial Statement Announcement released on May 13, 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**

The improvement in the economic and business outlook and recovery in the global hospitality industry is expected to continue into the second half of the year. Barring unforeseen circumstances, the Board expects the strong performance of the hotels and resorts in the Group to continue throughout the rest of the year.

**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/recommended 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 Jun 30, 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	2,049	-
- Management fee income	153	-

**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  
August 12, 2004