



HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

Second Quarter Financial Statement

1(a) Income Statement

	GROUP \$'000	
	Quarter ended Jun 30, 2006	Quarter ended Jun 30, 2005
Revenue	84,441	69,681
Cost of sales	(61,927)	(53,603)
Gross profit	22,514	16,078
Other operating income	940	540
Administrative expenses	(9,217)	(9,436)
Other operating expenses	(4,173)	(1,442)
Finance costs	(6,540)	(4,680)
Other non-operating (expense) income	(74)	1,656
Profit before income tax and share of results of associates	3,450	2,716
Share of results of associates	1,841	1,110
	5,291	3,826
Income tax	(2,552)	(2,131)
Profit after income tax	2,739	1,695
Attributable to:		
Shareholders of the Company	4,719	2,639
Minority interests	(1,980)	(944)
	2,739	1,695

Notes to the above income statement:

	GROUP \$'000	
	Quarter ended Jun 30, 2006	Quarter ended Jun 30, 2005
Other income including interest income	1,065	682
Interest on borrowings	(6,402)	(4,554)
Depreciation and amortisation	(7,602)	(9,130)
Foreign exchange gain (loss)	58	(247)
Gain (Loss) on disposal of an investment property	57	(86)
Gain on available-for-sale investments	-	1,027
Loss on disposal of property, plant and equipment	-	(56)
Property, plant and equipment written off	-	(263)
Adjustment for under provision of tax in respect of prior years	(63)	-

1(b)(i) Balance Sheet

	GROUP \$'000		COMPANY \$'000	
	Jun 30, 2006	Dec 31, 2005	Jun 30, 2006	Dec 31, 2005
ASSETS				
Current assets:				
Cash and bank balances	81,630	90,926	5,612	20,913
Held-for-trading investments	21,995	27,879	-	-
Trade receivables	18,547	17,444	2,173	1,678
Other receivables and prepayments	30,296	21,091	1,275	871
Derivative financial instruments	-	370	-	-
Amount due from associates	27,248	39,057	11,557	11,557
Amount due from subsidiaries	-	-	516,636	436,610
Inventories	5,855	5,937	166	169
Development properties	90,010	61,141	-	-
Completed properties held for sale	20,042	8,639	-	-
Total current assets	295,623	272,484	537,419	471,798
Non-current assets:				
Associates	80,329	41,221	3,223	3,223
Subsidiaries	-	-	230,561	250,132
Available-for-sale investments	8,086	7,411	-	-
Prepayments	1,241	1,354	-	-
Property, plant and equipment	1,144,590	1,076,168	228,306	228,469
Investment properties	274,068	274,829	-	-
Deferred tax assets	1,582	154	-	-
Derivative financial instruments	310	138	310	138
Intangible assets	16,275	16,698	-	-
Total non-current assets	1,526,481	1,417,973	462,400	481,962
Total assets	1,822,104	1,690,457	999,819	953,760
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans	186,302	179,313	75,000	74,944
Trade payables	31,518	34,911	11,627	11,897
Other payables	20,784	18,769	-	-
Amount due to associates	19,465	19,244	-	-
Amount due to subsidiaries	-	-	44,710	44,465
Income tax payable	9,355	6,288	844	589
Total current liabilities	267,424	258,525	132,181	131,895
Non-current liabilities				
Long-term bank loans	417,031	355,239	178,486	115,098
Other long-term liabilities	26,975	-	-	-
Deferred tax liabilities	4,262	5,289	475	529
Total non-current liabilities	448,268	360,528	178,961	115,627
Share capital and reserves:				
Issued capital	575,062	454,039	575,062	454,039
Reserves	428,380	565,140	113,615	252,199
Shareholders' equity	1,003,442	1,019,179	688,677	706,238
Minority interests	102,970	52,225	-	-
Total equity	1,106,412	1,071,404	688,677	706,238
Total liabilities and equity	1,822,104	1,690,457	999,819	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 30/6/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$111,596,000	75,000,000	\$104,369,000	74,944,000

Amount repayable after one year

As at 30/6/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$364,077,000	\$74,850,000	\$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 Jun 30, 2006 \$'000	Quarter ended Jun 30, 2005 \$'000
Cash flows from operating activities:		
Profit before income tax and share of results of associates	3,450	2,716
Adjustments for:		
Amortisation of intangible assets	82	95
Depreciation expense	7,520	9,035
Share option expense	148	-
Loss on disposal of property, plant and equipment	-	56
(Gain) Loss on disposal of an investment property	(57)	86
Gain on available-for-sale investments	-	(1,027)
Property, plant and equipment written off	-	263
Interest expense	6,402	4,554
Interest income	(787)	(337)
Dividend income	(191)	(186)
Profit before working capital changes	16,567	15,255
Payables and accrued expenses	9,319	852
Receivables and prepayments	(8,075)	(1,347)
Held-for-trading investments	(478)	5,305
Inventories	56	(311)
Completed properties held for sale	2,022	-
Cash generated from operations	19,411	19,754
Dividend received	191	186
Dividend paid	(18,165)	(18,121)
Interest received	787	337
Interest paid	(6,402)	(4,554)
Income tax paid	(3,948)	(2,448)
Net cash used in operating activities	(8,126)	(4,846)
Cash flows from investing activities:		
Additional available-for-sale investments	(221)	-
Additional property, plant and equipment	(51,483)	(14,179)
Additional intangible assets	-	(66)
Additional investment properties	(73)	(185)
Additional long-term receivable	-	(281)
Advances from a minority shareholder	1,649	1,123
Development properties and expenditure	4,650	(1,106)
Proceeds from disposal of available-for-sale investments	-	2,653
Proceeds from disposal of an investment property	960	755
Proceeds from disposal of property, plant and equipment	27	-
Net investment in associates	328	(787)
Cash used in investing activities	(44,163)	(12,073)
Cash flows from financing activities:		
Proceeds from issue of shares	120	535
Additional long-term liabilities	26,975	-
Additional (Repayment of) bank loans	26,316	(3,816)
Cash from (used in) financing activities	53,411	(3,281)
Net effect of exchange rate changes in consolidation	(972)	698
Net increase (decrease) in cash and bank balances	150	(19,502)
Cash and bank balances at beginning of period	81,480	62,346
Cash and bank balances at end of period	81,630	42,844

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

	Issued capital \$'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 Apr 1, 2006	574,942	267,161	(52,258)	1,990	665	274	2,097	226,879	1,021,750	103,774	1,125,524
Exchange fluctuation differences	-	-	(2,706)	-	-	-	-	-	(2,706)	(266)	(2,972)
Transfer to profit and loss statement during the period	-	(2,202)	-	-	(373)	-	-	-	(2,575)	-	(2,575)
Gain on cash flow hedge	-	-	-	-	18	-	-	-	18	-	18
Gain on available-for-sale investments	-	-	-	-	-	-	133	-	133	-	133
Share-based payments during the period	-	-	-	-	-	148	-	-	148	-	148
Net profit for the period	-	-	-	-	-	-	-	4,719	4,719	(1,980)	2,739
Net movement during the period	-	-	-	-	-	-	-	-	-	1,442	1,442
Final dividends for the previous year, paid	-	-	-	-	-	-	-	(18,165)	(18,165)	-	(18,165)
Issue of shares	120	-	-	-	-	-	-	-	120	-	120
Balance as at Jun 30, 2006	575,062	264,959	(54,964)	1,990	310	422	2,230	213,433	1,003,442	102,970	1,106,412

	Issued capital \$'000	Share premium \$'000	Asset revaluation reserve \$'000	Exchange fluctuation reserve \$'000	Hedge reserve \$'000	Option reserve \$'000	Retained profits \$'000	Shareholders' equity \$'000	Minority interests \$'000	Total equity \$'000
GROUP										
Balance as at Apr 1, 2005	453,149	121,092	271,476	(20,490)	732	-	182,757	1,008,716	53,760	1,062,476
Exchange fluctuation differences	-	-	-	(513)	-	-	-	(513)	898	385
Transfer to profit and loss statement during the period	-	-	(291)	-	-	-	-	(291)	-	(291)
Loss on cash flow hedge	-	-	-	-	(196)	-	-	(196)	-	(196)
Share-based payments during the period	-	-	-	-	-	84	-	84	-	84
Net profit for the period	-	-	-	-	-	-	2,639	2,639	(944)	1,695
Net movement during the period	-	-	-	-	-	-	-	-	758	758
Final dividends for the previous year, paid	-	-	-	-	-	-	(18,121)	(18,121)	-	(18,121)
Issue of shares	535	-	-	-	-	-	-	535	-	535
Balance as at Jun 30, 2005	453,684	121,092	271,185	(21,003)	536	84	167,275	992,853	54,472	1,047,325

	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 Apr 1, 2006	574,942	-	110,785	292	274	20,641	706,934
Gain on cash flow hedge	-	-	-	18	-	-	18
Share-based payments during the period	-	-	-	-	148	-	148
Net profit for the period	-	-	-	-	-	(378)	(378)
Final dividends for the previous year, paid	-	-	-	-	-	(18,165)	(18,165)
Issue of shares	120	-	-	-	-	-	120
Balance as at Jun 30, 2006	575,062	-	110,785	310	422	2,098	688,677
Balance as at Apr 1, 2005	453,149	120,885	110,785	-	-	18,594	703,413
Share-based payments during the period	-	-	-	-	84	-	84
Net profit for the period	-	-	-	-	-	831	831
Final dividends for the previous year, paid	-	-	-	-	-	(18,121)	(18,121)
Issue of shares	535	-	-	-	-	-	535
Balance as at Jun 30, 2005	453,684	120,885	110,785	-	84	1,304	686,742

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, 80,000 new ordinary shares were issued by the Company 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 Jun 30, 2006 was 2,340,000 (as at Jun 30, 2005 was 2,825,000).

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. The effects of the adoption of the new/revised FRS have been disclosed in the Group's First Quarter Financial Statement Announcement dated May 3, 2006.

6. Earnings Per Share

	Quarter ended Jun 30, 2006	Quarter ended Jun 30, 2005
Based on the weighted average number of ordinary shares in issue	1.04 cents	0.58 cents
On a fully diluted basis	1.04 cents	0.58 cents

7. Net Asset Value

	Jun 30, 2006	Dec 31, 2005
GROUP	\$2.21	\$2.24
COMPANY	\$1.52	\$1.56

8. Review of Performance

For the second quarter ended June 30, 2006, the Group achieved a turnover of \$84.4 million, 21.2% above that of the corresponding period last year. In tandem with the higher revenue, Group profit before tax also improved by 38.3% from \$3.8 million for Q2 2005 to \$5.3 million for the quarter under review.

The increase in revenue and profit are mainly attributable to higher income being recognized from the Robertson Blue condominium project which obtained Temporary Occupation Permit in Q2 2006 and profits from sale of two condominium units at Four Seasons Park.

In addition, the Group's hotels, especially those in Singapore, continue the growth trend, recording both higher occupancy as well as room rates. The resorts in Bali have also begun to show signs of recovery after the terrorist bombing late last year. However, the construction works of the two Four Seasons Resorts in Maldives are still in progress and will likely continue into Q3 2006. Meanwhile the two resorts have incurred pre-opening expenses resulting in an increase in Other Operating Expenses.

Interest expense for the Group increased from \$4.7 million for Q2 2005 to \$6.5 million for Q2 2006. This is due to higher borrowings as a result of recent investments in properties in Kensington High Street, London and 21st Century Tower in Shanghai as well as the ongoing construction cost incurred by the resorts in Maldives. These acquisitions also resulted in increase in the Group's assets such as Development properties, Amount due from associates, Property, plant & equipment as well as Minority interest as reflected in the Group's balance sheet as at June 30, 2006.

After taking into account taxation and minority share of results, the net profit attributable to shareholders for Q2 2006 was \$4.7 million, 78.8% higher than the \$2.6 million achieved for Q2 2005.

9. Variance from Previous Forecast or Prospect Statement

The Group's results for Q2 2006 are in line with the commentary made in paragraph 10 of the Group's First Quarter Financial Statement Announcement released on May 3, 2006.

10. Outlook and Prospects

With the recovery of Singapore's private residential property market and the continuing growth in demand for business and leisure accommodation in the region, the Group's operations for the second half of the year is expected to remain profitable, provided the world geo-political situation remains stable.

However, the two resorts in Maldives will be incurring further pre-opening expenses in preparation for their opening later this year. The resorts in Bali, though have shown signs of recovery, are not expected to achieve the pre-terrorists bombing occupancy levels within the immediate future.

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 Jun 30, 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	2,258	-
- Management fee expense	152	-

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
August 10, 2006