

# HOTEL PROPERTIES LIMITED

## Third 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 Sep 30, 2003	Quarter ended Sep 30, 2002
Revenue	78,362	86,080
Cost of sales	(60,450)	(62,172)
Gross profit	17,912	23,908
Other operating income	788	1,973
Administrative expenses	(9,689)	(11,147)
Other operating expenses	(2,059)	(2,571)
Profit from operations	6,952	12,163
Finance costs	(3,598)	(4,969)
Other non-operating income	3,177	526
Profit before income tax and share of results of associates	6,531	7,720
Share of results of associates	(987)	134
Profit before income tax	5,544	7,854
Income tax	(2,036)	(1,892)
Profit after income tax	3,508	5,962
Minority interests	(309)	(979)
Net profit attributable to shareholders	3,199	4,983

Notes to the above income statement:

	GROUP \$'000	
	Quarter ended Sep 30, 2003	Quarter ended Sep 30, 2002
Investment income	4	50
Other income including interest income	651	1,923
Interest on borrowings	(3,598)	(4,969)
Depreciation and amortisation	(10,082)	(10,723)
Allowance for inventories written back	163	870
Impairment loss in short-term investments	(730)	(1,213)
Impairment loss in long-term investments written back	3,374	-
Foreign exchange gain	264	832
Adjustment for under/(over) provision of tax in respect of prior years	194	(36)
Plant and equipment written off	(352)	(354)
Gain on disposal of short-term investments	863	-
Gain on disposal of property, plant and equipment	-	26
Loss on disposal of an investment property	(143)	-

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 Sep 2003	31 Dec 2002	30 Sep 2003	31 Dec 2002
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	80,577	112,685	9,900	14,531
Short-term investments	6,872	22,623	-	-
Trade receivables	25,636	60,545	1,856	1,100
Other receivables and prepayments	16,297	19,042	884	867
Inventories	15,210	10,706	190	246
Development properties	27,140	18,589	-	-
Completed properties held for sale	10,349	14,941	-	-
<b>Total current assets</b>	<b>182,081</b>	<b>259,131</b>	<b>12,830</b>	<b>16,744</b>
<b>Non-current assets:</b>				
Associates	87,622	98,602	13,674	13,674
Subsidiaries	-	-	736,193	797,119
Other long-term investments	33,864	37,784	-	-
Property, plant and equipment	1,044,941	984,533	231,265	233,985
Investment properties	286,475	277,020	-	-
Expenditure carried forward	11,761	12,490	325	422
<b>Total non-current assets</b>	<b>1,464,663</b>	<b>1,410,429</b>	<b>981,457</b>	<b>1,045,200</b>
<b>Total assets</b>	<b>1,646,744</b>	<b>1,669,560</b>	<b>994,287</b>	<b>1,061,944</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Bank loans	38,447	101,460	-	-
Trade payables	40,578	40,331	9,646	9,394
Other payables	30,947	28,707	-	-
Income tax payables	3,141	31,272	7	1,008
<b>Total current liabilities</b>	<b>113,113</b>	<b>201,770</b>	<b>9,653</b>	<b>10,402</b>
<b>Non-current liabilities</b>				
Long-term bank loans	545,420	479,800	224,428	238,884
Other long-term payables	-	1,086	-	-
Advances from subsidiaries	-	-	75,052	118,943
Deferred tax liabilities	5,418	5,544	1,293	1,686
<b>Total non-current liabilities</b>	<b>550,838</b>	<b>486,430</b>	<b>300,773</b>	<b>359,513</b>
<b>Minority interests</b>	<b>69,430</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	460,339	460,028	230,837	239,005
<b>Total equity</b>	<b>913,363</b>	<b>913,052</b>	<b>683,861</b>	<b>692,029</b>
<b>Total liabilities and equity</b>	<b>1,646,744</b>	<b>1,669,560</b>	<b>994,287</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 30/9/2003		As at 31/12/2002	
Secured	Unsecured	Secured	Unsecured
\$28,454,000	\$9,993,000	\$88,634,000	\$12,826,000

**Amount repayable after one year**

As at 30/9/2003		As at 31/12/2002	
Secured	Unsecured	Secured	Unsecured
\$395,334,000	\$150,086,000	\$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 Sep 30, 2003 \$'000	Quarter ended Sep 30, 2002 \$'000
<b>Cash flows from operating activities:</b>		
Profit before income tax and share of results of associates	6,531	7,720
Adjustments for:		
Amortisation of expenditure carried forward	441	349
Depreciation expense	9,641	10,374
Gain on disposal of property, plant and equipment	-	(26)
Impairment loss in short-term investments	730	1,213
Impairment loss in long-term investments written back	(3,374)	-
Loss on disposal of an investment property	143	-
Plant and equipment written off	352	354
Interest expense	3,598	4,969
Interest income	(563)	(716)
Dividend income	(4)	(50)
Profit before working capital changes	17,495	24,187
Payables and accrued expenses	6,607	1,390
Completed properties held for sale	4,592	6
Receivables and prepayments	(2,922)	3,514
Short-term investments	7,547	(278)
Inventories	(2,725)	(4,169)
Cash generated from operations	30,594	24,650
Dividend income received	4	50
Interest received	563	716
Interest paid	(3,598)	(4,969)
Income tax paid	(10,172)	(1,848)
Net cash from operating activities	17,391	18,599
<b>Cash flows from investing activities:</b>		
Additional expenditure carried forward	(92)	(4)
Additional investment properties	-	(504)
Additional property, plant and equipment	(18,270)	(9,695)
Acquisition of additional interest in subsidiary	-	(6,822)
Advance from minority shareholders	-	288
Development properties and expenditure	(8,455)	12,869
Proceeds from disposal of property, plant and equipment	46	63
Net investment in associates	6,191	(8,287)
Cash used in investing activities	(20,580)	(12,092)
<b>Cash flows from financing activities:</b>		
Repayment of term loans	(4,583)	(17,458)
Repayment of other long term payables	-	(1,121)
Cash used in financing activities	(4,583)	(18,579)
Net effect of exchange rate changes in consolidation	1,090	881
Net decrease in cash	(6,682)	(11,191)
Cash at beginning of period	87,259	142,212
Cash at end of period	80,577	131,021



COMPANY								
Balance as at Jul 1, 2003	453,024	120,885	110,785	(6,303)	-	6,027	-	684,418
Net gain not recognised in the profit and loss statement, being exchange fluctuation differences	-	-	-	266	-	-	-	266
Net loss for the period	-	-	-	-	-	(823)	-	(823)
Balance as at Sep 30, 2003	453,024	120,885	110,785	(6,037)	-	5,204	-	683,861
Balance as at Jul 1, 2002	453,024	120,885	110,785	(8,157)	-	5,287	-	681,824
Net loss not recognised in the profit and loss statement, being exchange fluctuation differences	-	-	-	(85)	-	-	-	(85)
Net loss for the period	-	-	-	-	-	(498)	-	(498)
Balance as at Sep 30, 2002	453,024	120,885	110,785	(8,242)	-	4,789	-	681,241

- 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 period 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 30 September 2003 was 5,220,000 (as at end of corresponding period of the immediately preceding financial year was 6,020,000).

- 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 was adjusted against the retained earnings and asset revaluation reserve retrospectively with no impact to the shareholders' funds. For more information, please refer to paragraph 1(d)(i) of the Group's Second Quarter Financial Statement Announcement released on August 21, 2003.

**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 Sep 30, 2003	Quarter ended Sep 30, 2002
Based on the weighted average number of ordinary shares in issue	0.71 cents	1.10 cents
On a fully diluted basis	0.71 cents	1.10 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**

	Sep 30, 2003	Dec 31, 2002
GROUP	\$2.02	\$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**

The quarter under review saw some improvement in the various sectors in which the Group has operations and returned to profit of \$3.2 million from a loss of \$8.8 million in the previous quarter.

The Group's hotel division recovered much faster than anticipated, achieving higher occupancies. In Singapore, hotel bookings rebounded strongly, particularly in the corporate sector. In other parts of the world, the Group's Hard Rock Hotel Pattaya, Four Seasons Resort in Maldives and Fitzpatrick Hotel in New York continue their strong contribution to the hotel division's bottomline.

Nevertheless, as compared to the corresponding quarter last year, the Group's turnover declined by 9% from \$86.1 million to \$78.4 million. Net profit attributable to shareholders also decreased from \$5 million to \$3.2 million. This is mainly due to the slow recovery of the resorts in Bali after the terrorists' attack in October last year, which was further aggravated by the Jakarta bombing in August this year. Pre-opening expenses incurred by The Metropolitan, Bangkok, which opened in late October, also weighed down the Group's bottomline for the current quarter. As current accounting standards do not allow capitalisation of pre-opening expenditure, these are expensed off as and when they are incurred.

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

N.A.

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**

Barring unforeseen circumstances, the Group expects the operational results for the remainder of the year to be satisfactory.

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 third quarter ended 30 Sep 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	1,228	-
- Management fee income	161	-
- Management fee expense	157	-

**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  
28 November 2003