



# HOTEL PROPERTIES LIMITED

(REG. NO. 198000348Z)

## Third Quarter Financial Statement

### 1(a) Income Statement

	GROUP \$'000	
	Quarter ended Sep 30, 2006	Quarter ended Sep 30, 2005
Revenue	76,304	83,275
Cost of sales	(55,310)	(59,690)
Gross profit	20,994	23,585
Other operating income	1,090	804
Administrative expenses	(8,970)	(9,743)
Other operating expenses	(3,415)	(1,590)
Finance costs	(7,290)	(4,784)
Other non-operating income	10,878	1,500
Profit before income tax and share of results of associates	13,287	9,772
Share of results of associates	(520)	1,665
	12,767	11,437
Income tax	(2,642)	(2,240)
Profit after income tax	10,125	9,197
Attributable to:		
Shareholders of the Company	10,829	9,253
Minority interests	(704)	(56)
	10,125	9,197

### Notes to the above income statement:

	GROUP \$'000	
	Quarter ended Sep 30, 2006	Quarter ended Sep 30, 2005
Other income including interest income	965	478
Interest on borrowings	(7,159)	(4,542)
Depreciation and amortisation	(8,023)	(9,081)
Foreign exchange (loss) gain	(60)	57
Loss on disposal of property, plant and equipment	-	(86)
Adjustment for under provision of tax in respect of prior years	-	(133)

## 1(b)(i) Balance Sheet

	GROUP \$'000		COMPANY \$'000	
	Sep 30, 2006	Dec 31, 2005	Sep 30, 2006	Dec 31, 2005
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and bank balances	106,413	90,926	5,603	20,913
Held-for-trading investments	21,779	27,879	-	-
Trade receivables	20,657	17,444	2,120	1,678
Other receivables and prepayments	39,389	21,091	1,124	871
Derivative financial instruments	-	370	-	-
Amount due from associates	26,898	39,057	11,557	11,557
Amount due from subsidiaries	-	-	527,718	436,610
Inventories	6,125	5,937	186	169
Development properties	98,003	61,141	-	-
Completed properties held for sale	20,042	8,639	-	-
<b>Total current assets</b>	<b>339,306</b>	<b>272,484</b>	<b>548,308</b>	<b>471,798</b>
<b>Non-current assets:</b>				
Associates	51,273	41,221	3,223	3,223
Subsidiaries	-	-	229,781	250,132
Available-for-sale investments	10,095	7,411	-	-
Prepayments	1,215	1,354	-	-
Property, plant and equipment	1,181,980	1,076,168	228,399	228,469
Investment properties	273,472	274,829	-	-
Deferred tax assets	1,847	154	-	-
Derivative financial instruments	91	138	91	138
Intangible assets	16,237	16,698	-	-
<b>Total non-current assets</b>	<b>1,536,210</b>	<b>1,417,973</b>	<b>461,494</b>	<b>481,962</b>
<b>Total assets</b>	<b>1,875,516</b>	<b>1,690,457</b>	<b>1,009,802</b>	<b>953,760</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Bank loans	188,128	179,313	74,944	74,944
Trade payables	32,318	34,911	11,896	11,897
Other payables	25,845	18,769	-	-
Amount due to associates	457	19,244	-	-
Amount due to subsidiaries	-	-	44,790	44,465
Income tax payable	9,253	6,288	1,182	589
<b>Total current liabilities</b>	<b>256,001</b>	<b>258,525</b>	<b>132,812</b>	<b>131,895</b>
<b>Non-current liabilities</b>				
Long-term bank loans	431,237	355,239	188,977	115,098
Other long-term liabilities	26,469	-	-	-
Deferred tax liabilities	5,014	5,289	547	529
<b>Total non-current liabilities</b>	<b>462,720</b>	<b>360,528</b>	<b>189,524</b>	<b>115,627</b>
<b>Share capital and reserves:</b>				
Issued capital	575,062	454,039	575,062	454,039
Reserves	437,341	565,140	112,404	252,199
<b>Shareholders' equity</b>	<b>1,012,403</b>	<b>1,019,179</b>	<b>687,466</b>	<b>706,238</b>
Minority interests	144,392	52,225	-	-
<b>Total equity</b>	<b>1,156,795</b>	<b>1,071,404</b>	<b>687,466</b>	<b>706,238</b>
<b>Total liabilities and equity</b>	<b>1,875,516</b>	<b>1,690,457</b>	<b>1,009,802</b>	<b>953,760</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 30/9/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$113,566,000	74,944,000	\$104,369,000	74,944,000

**Amount repayable after one year**

As at 30/9/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
\$327,893,000	\$125,073,000	\$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 Sep 30, 2006 \$'000	Quarter ended Sep 30, 2005 \$'000
<b>Cash flows from operating activities:</b>		
Profit before income tax and share of results of associates	13,287	9,772
Adjustments for:		
Amortisation of intangible assets	83	96
Depreciation expense	7,940	8,985
Share option expense	135	-
Loss on disposal of property, plant and equipment	-	86
Gain on liquidation of an associate	(5,981)	-
Negative goodwill on acquisition of a subsidiary	(655)	-
Interest expense	7,159	4,542
Interest income	(696)	(311)
Dividend income	(178)	(112)
Profit before working capital changes	21,094	23,058
Payables and accrued expenses	3,741	5,223
Receivables and prepayments	(11,434)	1,497
Held-for-trading investments	216	(4,243)
Inventories	(242)	299
Cash generated from operations	13,375	25,834
Dividend received	178	112
Interest received	696	311
Interest paid	(7,159)	(4,542)
Income tax paid	(2,600)	(1,905)
Net cash generated from operating activities	4,490	19,810
<b>Cash flows from investing activities:</b>		
Acquisition of a subsidiary, net of cash acquired	(12,540)	-
Additional available-for-sale investments	(2,009)	-
Additional property, plant and equipment	(24,091)	(18,187)
Additional investment properties	(28)	-
Advances from a minority shareholder	36,515	2,005
Development properties and expenditure	(5,995)	4,904
Proceeds from disposal of available-for-sale investments	-	764
Proceeds from disposal of an investment property	620	-
Proceeds from disposal of property, plant and equipment	23	79
Net investment in associates	12,162	5,127
Cash from (used in) investing activities	4,657	(5,308)
<b>Cash flows from financing activities:</b>		
Proceeds from issue of shares	-	275
Additional (Repayment of) bank loans	15,243	(5,903)
Cash from (used in) financing activities	15,243	(5,628)
Net effect of exchange rate changes in consolidation	393	(98)
Net increase in cash and bank balances	24,783	8,776
Cash and bank balances at beginning of period	81,630	42,844
Cash and bank balances at end of period	106,413	51,620
<b>Summary of cash flow arising from acquisition of a subsidiary</b>		
Current assets	559	-
Current liabilities	(1,186)	-
Net current liabilities	(627)	-
Non-current assets	20,496	-
Other non-current liabilities	(6,224)	-
Net assets acquired	13,645	-
Negative goodwill on consolidation	(655)	-
Cash consideration	12,990	-
Cash of subsidiary acquired	(450)	-
Cash flow arising from acquisition	12,540	-

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
<b>GROUP</b>											
Balance as at Jul 1, 2006	575,062	264,959	(54,964)	1,990	310	422	2,230	213,433	1,003,442	102,970	1,106,412
Exchange fluctuation differences	-	-	(1,895)	-	-	-	-	-	(1,895)	(100)	(1,995)
Loss on cash flow hedge	-	-	-	-	(219)	-	-	-	(219)	-	(219)
Gain on available-for-sale investments	-	-	-	-	-	-	111	-	111	-	111
Share-based payments during the period	-	-	-	-	-	135	-	-	135	-	135
Net profit (loss) for the period	-	-	-	-	-	-	-	10,829	10,829	(704)	10,125
Net movement during the period	-	-	-	-	-	-	-	-	-	42,226	42,226
Balance as at Sep 30, 2006	575,062	264,959	(56,859)	1,990	91	557	2,341	224,262	1,012,403	144,392	1,156,795

	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
<b>GROUP</b>										
Balance as at Jul 1, 2005	453,684	121,092	271,185	(21,003)	536	84	167,275	992,853	54,472	1,047,325
Exchange fluctuation differences	-	-	-	529	-	-	-	529	86	615
Transfer to profit and loss statement during the period	-	-	(1,279)	-	-	-	-	(1,279)	-	(1,279)
Gain on cash flow hedge	-	-	-	-	92	-	-	92	-	92
Share-based payments during the period	-	-	-	-	-	64	-	64	-	64
Net profit (loss) for the period	-	-	-	-	-	-	9,253	9,253	(56)	9,197
Net movement during the period	-	-	-	-	-	-	-	-	2,016	2,016
Issue of shares	275	-	-	-	-	-	-	275	-	275
Balance as at Sep 30, 2005	453,959	121,092	269,906	(20,474)	628	148	176,528	1,001,787	56,518	1,058,305

	Issued capital \$'000	Share premium \$'000	Asset revaluation reserve \$'000	Hedge reserve \$'000	Option reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>COMPANY</b>							
Balance as at Jul 1, 2006	575,062	-	110,785	310	422	2,098	688,677
Loss on cash flow hedge	-	-	-	(219)	-	-	(219)
Share-based payments during the period	-	-	-	-	135	-	135
Net loss for the period	-	-	-	-	-	(1,127)	(1,127)
Balance as at Sep 30, 2006	575,062	-	110,785	91	557	971	687,466
Balance as at Jul 1, 2005	453,684	120,885	110,785	-	84	1,304	686,742
Share-based payments during the period	-	-	-	-	64	-	64
Net loss for the period	-	-	-	-	-	(634)	(634)
Issue of shares	275	-	-	-	-	-	275
Balance as at Sep 30, 2005	453,959	120,885	110,785	-	148	670	686,447

**1(d)(ii) Details of Any Changes in Company's Issued Share Capital**

Since the end of the previous period reported on to the date of this announcement, 625,000 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 Sep 30, 2006 was 2,340,000 (as at Sep 30, 2005 was 2,550,000).

**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 Sep 30, 2006	Quarter ended Sep 30, 2005
Based on the weighted average number of ordinary shares in issue	2.38 cents	2.04 cents
On a fully diluted basis	2.37 cents	2.04 cents

**7. Net Asset Value**

	Sep 30, 2006	Dec 31, 2005
GROUP	\$2.23	\$2.24
COMPANY	\$1.51	\$1.56



## 8. Review of Performance

Revenue for the third quarter ended September 30, 2006 decreased by 8% as compared to the corresponding period last year. The decrease in revenue was attributable mainly to the Group's divestment of 51% equity interest in Pinedale Holdings Pte Ltd Group which distributes Haagen-Dazs ice-cream in Singapore and Malaysia, and completion of the Robertson Blue Condominium development in the second quarter this year.

The Group's hotels in Singapore had a strong quarter, recording both higher occupancy as well as room rates than the same period last year. The resorts in Bali have also shown encouraging signs of recovery, although they have yet to achieve the pre-terrorist bombing levels of Q3 2005. Four Seasons Resort Maldives at Kuda Huraa had just re-opened in mid September. The other Four Seasons Resort Maldives at Landaa Giraavaru is expected to open in the last quarter of this year. Both resorts incurred pre-opening expenses totaling \$4.3 million during the quarter under review.

Nevertheless, the Group received further interim payments from the insurer in relation to losses caused by the Tsunami in December 2004. This, together with the exchange fluctuation gain recognised upon liquidation of an associate, Canary Riverside Holdings Pte Ltd, resulted in the higher "Other non-operating income" for the quarter under review.

Interest expense for the Group increased from \$4.5 million for Q3 2005 to \$7.2 million for Q3 2006. This is due to higher borrowings as a result of investments in properties in Kensington High Street, London and 21st Century Tower in Shanghai, the ongoing construction cost incurred by the resorts in Maldives and the recent investment in the Casuarina Beach Resort in Penang as well as deposits placed in relation to the purchase of Beverly Mai site in Singapore. These acquisitions also resulted in increase in the Group's assets such as Development properties, Property, plant and equipment, Other receivables and prepayments as well as Minority interest as reflected in the Group's balance sheet as at September 30, 2006.

After taking into account taxation and minority share of results, the net profit attributable to shareholders for Q3 2006 was \$10.83 million, 17% higher than the \$9.25 million achieved for Q3 2005.

## 9. Variance from Previous Forecast or Prospect Statement

The Group's results for Q3 2006 are in line with the commentary made in paragraph 10 of the Group's Second Quarter Financial Statement Announcement released on August 10, 2006.

## 10. Outlook and Prospects

The Group is reasonably confident of the good performance for the rest of the year, barring unforeseen circumstances, given the re-opening of the two properties in the Maldives, improving conditions in Bali and continuing buoyant conditions in the hotel industry in Singapore.

## 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 Sep 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	2,330	-
- Management fee expense	147	-

**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.

**14. Negative Assurance Confirmation pursuant to Rule 705(4) of the Listing Manual**

The Board confirms that, to the best of its knowledge, nothing has come to the attention of the Board which may render the third quarter unaudited financial results for the period ended September 30, 2006 to be false or misleading in any material respect.

**BY ORDER OF THE BOARD**

Lo Swee Oi  
Company Secretary  
November 9, 2006