



HOTEL ROYAL LIMITED
(Co. Reg. No. 196800298G)
(Incorporated in the Republic of Singapore)

**PROPOSED ACQUISITION OF THE BABA HOUSE
AND ITS BUSINESS IN MELAKA, MALAYSIA**

The Board of Directors (the “Board”) of Hotel Royal Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce that the Company through its newly incorporated subsidiary, Baba Residences Sdn Bhd has, in its ordinary course of business, on 10 October 2014, entered into Agreements (the “Agreements”) to acquire The Baba House and its business in Melaka, Malaysia. The Baba House is a 97-room boutique hotel (hereinafter referred to as the “Proposed Acquisition” or “Baba House”).

CONSIDERATION AND FUNDING

The total purchase consideration for the Proposed Acquisition is RM26.1 million (the “Consideration”). The Consideration will be financed by internal funds and bank borrowings.

RATIONALE FOR THE PROPOSED ACQUISITION

The Company is of the view that the Proposed Acquisition is in the best interests of the Company and the Group as it is an opportunity for the Group to expand its hotel operations in Malaysia.

The Group also owns Hotel Royal Kuala Lumpur and Hotel Royal Penang in Malaysia. With the Proposed Acquisition, it will add synergy to the Group’s hotel operations in Malaysia in terms of sales referrals, joint marketing and management time.

The Baba House has unique Peranakan characteristics and is situated on prime land that is within walking distance to various Melaka’s historical sites and the famous Jonker Street. Such property site is limited in supply. There is potential for capital appreciation in the future.

FINANCIAL EFFECTS

The Proposed Acquisition is not expected to have a material impact on the Group’s consolidated earnings and net tangible assets per share of the Company for the current financial year ending 31 December 2014.

DIRECTORS AND CONTROLLING SHAREHOLDERS’ INTEREST

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect in the Proposed Acquisition, other than their shareholdings in the Company.

UPDATE

The Company will be making the appropriate announcements in due course and will continue to keep shareholders updated on the Proposed Acquisition.

By Order of the Board

Dr Lee Keng Thon
Chairman

10 October 2014