



## HOTEL ROYAL LIMITED

(Incorporated in the Republic of Singapore)

(Co. Reg. No. 196800298G)

### 1 UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

The Directors of Hotel Royal Limited (the “Company”) are pleased to announce the following unaudited results of the Group for the first quarter ended 31 March 2014.

#### 1(a) CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the first quarter ended 31 March

		Group		
	Notes	2014 S\$'000	2013 S\$'000	+ / (-) %
Revenue	1	12,687	12,452	1.9
Cost of sales	2	(6,147)	(6,197)	(0.8)
Gross profit		6,540	6,255	4.6
Other income	3	287	310	(7.4)
Distribution costs		(151)	(144)	4.9
Administrative expenses	4	(2,514)	(2,444)	2.9
Other expenses	5	(95)	(42)	n.m.
Finance costs	6	(720)	(768)	(6.3)
Profit before income tax	7	3,347	3,167	5.7
Income tax expense	8	(787)	(876)	(10.2)
Profit for the period attributable to owners of the Company		2,560	2,291	11.7

n.m. : not meaningful

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
for the first quarter ended 31 March**

	<u>Group</u>		
	<u>First Quarter Ended 31 March</u>		
	<u>2014</u>	<u>2013</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>\$'000</u>	<u>%</u>
Profit for the period	2,560	2,291	11.7
Other Comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale investments:			
Fair value (loss) gain recognised in fair value reserve	(270)	418	n.m.
Transfer from fair value reserve to profit or loss upon disposal of available-for-sale investments	(43)	(117)	(63.2)
Exchange gain on translation of foreign operations	2,094	1,833	14.2
<b>Total</b>	<u>1,781</u>	<u>2,134</u>	<u>(16.5)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>4,341</u>	<u>4,425</u>	<u>(1.9)</u>

**Notes**

**1. Revenue**

Revenue comprises the following:

	<u>Group</u>		
	<u>First Quarter Ended 31 March</u>		
	<u>2014</u>	<u>2013</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Room revenue	7,773	7,669	1.4
Food and beverage revenue	1,876	1,810	3.6
Rental income from:			
Investment properties	1,880	1,801	4.4
Other properties	728	606	20.1
Car park revenue	315	365	(13.7)
Interest income from outside parties	24	57	(57.9)
Dividend income from:			
Quoted equity investments (gross)	79	34	n.m.
Others	12	110	(89.1)
<b>Total</b>	<u>12,687</u>	<u>12,452</u>	<u>1.9</u>

n.m. : not meaningful

***Room revenue***

Group room revenue for the first quarter 2014 increased by 1.4% as compared to the first quarter 2013. This was mainly due to better performance from Malaysia hotels offset by lower contribution from Singapore hotels due to severe competition from more room inventory coming on-stream.

### ***Food and beverage revenue***

The increase in food and beverage revenue for the first quarter 2014 as compared to the first quarter 2013 was mainly due to higher banquet sales from Malaysia hotels and higher breakfast sales from a Singapore hotel.

### ***Rental income from investment properties***

The increase in rental income from investment properties for the first quarter 2014 as compared to the first quarter 2013 was mainly due to better performance from investment properties in a Malaysia subsidiary and a Singapore subsidiary.

### ***Rental income from other properties***

The increase in rental income from other properties for the first quarter 2014 as compared to the first quarter 2013 was mainly due to higher contribution from Singapore hotels and a Malaysia hotel.

## **2. Cost of sales**

Cost of sales for first quarter 2014 remained constant as compared to first quarter 2013.

## **3. Other income**

Other income comprises mainly gain on disposal of available-for-sale investments, fair value gain on held-for-trading investments, foreign exchange gain and bad debts recovered.

The decrease in other income for first quarter 2014 as compared to first quarter 2013 was mainly due to lower gain on disposal of available-for-sale investment, lower fair value gain on held-for-trading investments offset by higher foreign exchange gain and bad debts recovered.

## **4. Administrative expenses**

The increase in administrative expenses for first quarter 2014 as compared to first quarter 2013 was mainly due to increase in overhead expenses.

## **5. Other expenses**

Other expenses comprise mainly foreign exchange loss and allowance for doubtful debts.

The increase in other expenses for first quarter 2014 as compared to first quarter 2013 was mainly due to higher foreign exchange loss due to the weakening of Thai baht against Singapore dollar offset by lower allowance for doubtful debts from New Zealand subsidiary.

## **6. Finance costs**

The decrease in finance cost for first quarter 2014 as compared to first quarter 2013 was mainly due to repayments made to group's borrowings.

## 7. Profit before income tax

Profit before income tax is arrived at after charging / (crediting):

	<u>Group</u>		
	<u>First Quarter Ended 31 March</u>		
	<u>2014</u>	<u>2013</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation	1,404	1,297	8.2
Allowance for doubtful debts	16	42	(61.9)
Bad debts recovered	(38)	-	100.0
Fair value gain on held-for-trading investments	(34)	(61)	(44.3)
Net foreign exchange gain	(56)	(86)	(34.9)
Gain on disposal of available-for-sale investments	(43)	(117)	(63.2)

### *Depreciation*

The increase in depreciation expense was mainly due to additional renovation costs in New Zealand subsidiary and the purchase of new plant and equipment by Singapore hotels and Malaysia hotels.

### *Allowance for doubtful debts*

The decrease was due to lower allowance for doubtful debts provided by New Zealand subsidiary for first quarter 2014 as compared to first quarter 2013.

### *Fair value gain on held-for-trading investments*

The Group made a lower fair value gain on held-for-trading investments in first quarter 2014 mainly due to the weakening of the stock market conditions.

### *Net foreign exchange adjustment gain*

The decrease was due to lower foreign exchange gain from fund investments for first quarter 2014 due to the weakening of USD and EURO against SGD.

### *Gain on disposal of available-for-sale investments*

The Group made a lower disposal gain on disposal of available-for-sale investments for first quarter 2014 due to weaker stock market conditions as compared to first quarter 2013.

## 8. Income tax expense

Income tax expense decreased mainly to lower tax provision due to lower room sales from Singapore hotels offset by higher provision arising from higher taxable income from New Zealand subsidiary.

## 1(b)(i) STATEMENTS OF FINANCIAL POSITION

	Notes	<u>The Group</u>		<u>The Company</u>	
		<u>31 Mar 14</u>	<u>31 Dec 13</u>	<u>31 Mar 14</u>	<u>31 Dec 13</u>
		<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b><u>ASSETS</u></b>					
<b>Current assets</b>					
Cash and bank balances	9	15,960	20,100	849	3,061
Held-for-trading investments		5,270	5,144	530	534
Available-for-sale investments		7,966	7,940	2,014	2,028
Trade receivables		4,251	4,018	1,450	1,239
Other receivables, deposits and prepaid expenses	10	3,877	2,118	1,641	683
Inventories		505	494	255	258
<b>Total current assets</b>		<b>37,829</b>	<b>39,814</b>	<b>6,739</b>	<b>7,803</b>
<b>Non-current assets</b>					
Deferred tax assets		53	53	-	-
Subsidiaries		-	-	105,763	97,912
Available-for-sale investments		3,895	4,024	1,346	1,348
Other asset	11	8,945	3,751	-	-
Goodwill		123	123	-	-
Property, plant and equipment		487,145	485,494	236,556	236,336
Investment properties		99,740	96,687	24,424	24,529
<b>Total non-current assets</b>		<b>599,901</b>	<b>590,132</b>	<b>368,089</b>	<b>360,125</b>
<b>Total assets</b>		<b>637,730</b>	<b>629,946</b>	<b>374,828</b>	<b>367,928</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current liabilities</b>					
Bank loans	12	15,195	26,678	326	18,750
Trade payables	13	4,391	5,519	2,777	3,220
Other payables	14	3,690	2,949	4,452	10,737
Current portion of finance lease		10	12	-	-
Income tax payable		3,252	2,812	1,357	1,351
<b>Total current liabilities</b>		<b>26,538</b>	<b>37,970</b>	<b>8,912</b>	<b>34,058</b>
<b>Non-current liabilities</b>					
Amount due to subsidiary companies		-	-	15,336	-
Retirement benefit obligations		359	363	-	-
Long-term bank loans	12	81,411	67,206	15,000	-
Finance lease		14	14	-	-
Deferred tax liabilities		17,192	16,518	432	432
<b>Total non-current liabilities</b>		<b>98,976</b>	<b>84,101</b>	<b>30,768</b>	<b>432</b>
<b>Capital and reserves</b>					
Share capital		100,438	100,438	100,438	100,438
Asset revaluation reserve		317,502	317,502	206,108	206,108
Employee benefit reserve		171	171	-	-
Fair value reserve		2,447	2,760	637	656
Translation reserve	15	(627)	(2,721)	-	-
Retained earnings		92,285	89,725	27,965	26,236
<b>Total equity</b>		<b>512,216</b>	<b>507,875</b>	<b>335,148</b>	<b>333,438</b>
<b>Total liabilities and equity</b>		<b>637,730</b>	<b>629,946</b>	<b>374,828</b>	<b>367,928</b>

## **Notes**

### **9. Cash and bank balances**

The decrease was mainly due to payment for renovation works of Hotel Royal Bangkok (Thailand) and increased share in Royal Residences from 87.5% to 91.63% in first quarter 2014 as compared to previous quarter.

### **10. Other receivables, deposits and prepaid expenses**

The increase for first quarter 2014 was mainly due to increase in other debtors and deposits for acquisition of new investment in Thailand and higher prepayments for renovation works and property taxes in Malaysia subsidiaries.

### **11. Other asset**

Other asset comprise of non-current lease incentives and prepayments.

The increase was due to higher prepayments made for renovation works in Hotel Royal Bangkok @ Chinatown offset by decrease in lease incentives in New Zealand subsidiary.

The lease incentives arose from the recognition of the rent free periods offered to tenants by the subsidiary in New Zealand. The lease incentives will be amortised over the lease period.

### **12. Bank loans**

Bank loans consist of short-term bank loans and long-term bank loans.

The decrease in the Group's short-term bank loans was due to large repayment of bank loans in first quarter 2014 as compared to 2013. The Group's long-term bank loans increased due to some restructuring from short-term bank loans to long-term bank loans in first quarter 2014.

### **13. Trade payables**

The decrease was mainly due to prompt payments made to trade creditors for first quarter 2014 as compared to 2013.

### **14. Other payables**

The increase in other payables arose from accrued expenses for renovation and construction works in Hotel Royal Bangkok @ Chinatown.

### **15. Translation reserve**

The movement in translation reserve from negative S\$2.721 million as at 31 December 2013 to negative S\$0.627 million as at 31 March 2014 was due mainly to gain on translating the net assets of the New Zealand subsidiary into SGD as the NZD had strengthened against the SGD as at 31 March 2014.

**1(b)(ii) GROUP BORROWINGS AND DEBT SECURITIES**

**Amount repayable in one year or less, or on demand (in S\$'000)**

<u>As at 31 Mar 2014</u>		<u>As at 31 Dec 2013</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
15,195	-	26,678	-

**Amount repayable after one year (in S\$'000)**

<u>As at 31 Mar 2014</u>		<u>As at 31 Dec 2013</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
81,411	-	67,206	-

**Details of collaterals**

The bank borrowings are secured by mortgages of the Company's and subsidiaries' freehold land and buildings and investment properties, including assignment of rental proceeds of certain investment properties of certain subsidiaries and a floating charge on all the Company's and subsidiaries' assets.

**1(c) CONSOLIDATED STATEMENT OF CASH FLOWS  
for the first quarter ended 31 March**

	<b>Group</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>
<b>Operating activities:</b>		
Profit before income tax	3,347	3,167
Adjustments for:		
Depreciation expense	1,404	1,297
Dividend income	(79)	(34)
Interest income	(24)	(57)
Interest expense	720	768
Gain on disposal of available-for-sale investments	(43)	(117)
Fair value gain on held-for-trading investments	(34)	(61)
Allowance for doubtful debts	16	42
Bad debts recovered	(38)	-
	<hr/>	<hr/>
Operating cash flows before movements in working capital	5,269	5,005
Available-for-sale investments	2	(1,138)
Held-for-trading investments	(92)	317
Trade and other receivables	490	(1,561)
Inventories	(11)	2
Trade and other payables	(391)	230
	<hr/>	<hr/>
Cash generated from operations	5,267	2,855
Interest paid	(720)	(768)
Interest received	24	57
Dividend received	79	34
Income tax paid – net of refund	(339)	(759)
	<hr/>	<hr/>
Net cash from operating activities	4,311	1,419
<b>Investing activities:</b>		
Purchase of available-for-sale investments	(1,474)	-
Proceed from disposal of available-for-sale investments	1,305	-
Purchase of property, plant and equipment	(2,681)	(2,048)
Additions to investment properties	(491)	(44)
Deposit for increased share in Royal Residences	(1,403)	-
Deposit for acquisition of new investment in Thailand	(4,848)	-
	<hr/>	<hr/>
Net cash used in investing activities	(9,592)	(2,092)

**1(c) CONSOLIDATED STATEMENT OF CASH FLOWS  
for the first quarter ended 31 March (Continued)**

	<b>Group</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>
<b>Financing activities:</b>		
Proceeds from bank loans	10,026	-
Repayment of bank loans	(7,556)	(1,702)
Repayment of finance lease	-	(1)
	<hr/>	<hr/>
Net cash from (used in) financing activities	2,470	(1,703)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(2,811)	(2,376)
Cash and cash equivalents at beginning of period	20,100	21,725
Effect of currency exchange adjustment	(1,329)	1,906
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b><u>15,960</u></b>	<b><u>21,255</u></b>

	<b>As at 31 March</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>
Cash and cash equivalents consist of:		
Cash on hand	132	261
Cash at bank	13,986	17,448
Fixed deposits	1,842	3,546
	<hr/>	<hr/>
Total	<u>15,960</u>	<u>21,255</u>

### 1(d)(i) STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u> S\$'000	<u>Asset revaluation reserve</u> S\$'000	<u>Employee benefit reserve</u> S\$'000	<u>Fair value reserve</u> S\$'000	<u>Currency translation reserve</u> S\$'000	<u>Retained earnings</u> S\$'000	<u>Total</u> S\$'000
<b>The Group</b>							
Balance at 1 January 2013	100,438	198,177	-	2,533	(2,241)	84,283	383,190
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,291	2,291
Other comprehensive income for the period	-	-	-	301	1,833	-	2,134
Total	-	-	-	301	1,833	2,291	4,425
<b>Balance at 31 March 2013</b>	<b>100,438</b>	<b>198,177</b>	<b>-</b>	<b>2,834</b>	<b>(408)</b>	<b>86,574</b>	<b>387,615</b>
Balance at 1 January 2014	100,438	317,502	171	2,760	(2,721)	89,725	507,875
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,560	2,560
Other comprehensive income for the period	-	-	-	(313)	2,094	-	1,781
Total	-	-	-	(313)	2,094	2,560	4,341
<b>Balance at 31 March 2014</b>	<b>100,438</b>	<b>317,502</b>	<b>171</b>	<b>2,447</b>	<b>(627)</b>	<b>92,285</b>	<b>512,216</b>

**1(d)(i) STATEMENTS OF CHANGES IN EQUITY (Continued)**

	<u>Share capital</u> S\$'000	<u>Asset revaluation reserve</u> S\$'000	<u>Fair value reserve</u> S\$'000	<u>Retained earnings</u> S\$'000	<u>Total</u> S\$'000
<b>The Company</b>					
Balance at 1 January 2013	100,438	123,108	683	23,809	248,038
Total comprehensive income for the period					
Profit for the period	-	-	-	1,515	1,515
Other comprehensive income for the period	-	-	93	-	93
Total	-	-	93	1,515	1,608
<b>Balance at 31 March 2013</b>	<b>100,438</b>	<b>123,108</b>	<b>776</b>	<b>25,324</b>	<b>249,646</b>
Balance at 1 January 2014	100,438	206,108	656	26,236	333,438
Total comprehensive income for the period					
Profit for the period	-	-	-	1,729	1,729
Other comprehensive income for the period	-	-	(19)	-	(19)
Total	-	-	(19)	1,729	1,710
<b>Balance at 31 March 2014</b>	<b>100,438</b>	<b>206,108</b>	<b>637</b>	<b>27,965</b>	<b>335,148</b>

**1(d)(ii) SHARE CAPITAL**

	<u>31 Mar 2014</u>	<u>31 Dec 2013</u>	<u>31 Mar 2014</u>	<u>31 Dec 2013</u>
	<u>Number of ordinary shares</u>		<u>\$'000</u>	<u>\$'000</u>
	<u>'000</u>			
<b>Issued and paid-up capital:</b>				
Balance at beginning and end of period	<u>84,000</u>	<u>84,000</u>	<u>100,438</u>	<u>100,438</u>

There are no changes in the share capital since the end of the previous period reported on.

**1(d)(iii) TREASURY SHARES**

There are no treasury shares.

**2 AUDIT**

The financial statements have not been audited or reviewed by the Company's auditors.

**3 AUDITORS' REPORT**

Not applicable.

**4 ACCOUNTING POLICIES**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared to the most recently audited annual financial statements as at 31 December 2013.

**5 CHANGES IN ACCOUNTING POLICIES**

Not applicable.

## 6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>	
	<u>First Quarter Ended 31 March</u>	
	<u>2014</u>	<u>2013</u>
EPS (based on consolidated profit after income tax expense)		
- on weighted average number of shares	3.05 cents	2.73 cents
- on a fully diluted basis	3.05 cents	2.73 cents

Basic earnings per share is calculated on the Group's profit of S\$2.560 million (2013: S\$2.291 million) after income tax expense divided by 84 million (2013: 84 million) ordinary shares.

Diluted earnings per ordinary share is the same as basic earnings per ordinary shares as there are no dilutive potential ordinary shares.

## 7 NET ASSET VALUE (NAV)

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2014</u>	<u>31 Dec 2013</u>	<u>31 Mar 2014</u>	<u>31 Dec 2013</u>
NAV per share based on issued number of shares as at the end of the respective period	S\$6.10	S\$6.05	S\$3.99	S\$3.97

The NAV per share as at 31 March 2014 and 31 December 2013 were calculated on the net assets of S\$512.216 million (2013: S\$507.875 million) divided by 84 million (2013: 84 million) ordinary shares.

## 8 REVIEW OF GROUP PERFORMANCE

The Group's revenue increased by about 1.9% to S\$12.687 million in first quarter 2014 from S\$12.452 million in first quarter 2013 due to higher contribution from Malaysia hotels offset by decrease in room sales in Singapore hotels due to severe competition from more room inventory coming on-stream.

Group profit after income tax expense for the first quarter 2014 increased by 11.7% to S\$2.560 million from S\$2.291 million in first quarter 2013 mainly due to higher room revenue and food and beverage sales by the Malaysia hotels and lower income tax provision by Singapore hotels due to lower room revenue resulting from severe competition.

In the opinion of the Directors, no transaction has arisen between 31 March 2014 and the date of this report which would materially affect the results of the Group and the Company for the quarter just ended.

**9 VARIANCE FROM A FORECAST OR PROSPECT STATEMENT**

Not applicable.

**10 OUTLOOK**

With political instability in Thailand and the recent flight MH370 incident, the influx of tourists, especially from China, has decreased. The Group expects more challenges in the year ahead. The Group will continue to progressively upgrade our hotel properties and closely monitor our room occupancy and room rates in order to have a greater market share.

With the slow economic recovery in New Zealand, the Group will continue to upgrade and market its investment properties so as to maximize rental income.

The current economic uncertainties in Europe will also have an impact on the Group's managed fund portfolio.

In addition to the above, the Group's profitability will continue to be influenced by the performance of the NZD, USD and RM against the SGD, the changes in the income from and the market value of our investment portfolio.

**11 DIVIDEND**

**(a) Current Financial Period Reported On**

No interim dividend is recommended for the current first quarter ended 31 March 2014.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

No interim dividend was recommended for the corresponding period of the immediately preceding financial year.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12 INTERESTED PERSON TRANSACTIONS**

There were no interested person transactions of S\$100,000 or more for the period under review. The Group does not have a general mandate from its shareholders for interested person transactions.

**13      NEGATIVE ASSURANCE CONFIRMATION ON INTERIM FINANCIAL RESULTS  
UNDER SGX LISTING RULE 705 (5) OF THE LISTING MANUAL**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results for the first quarter ended 31 March 2014 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Sharon Yeoh  
Secretary

12 May 2014