



## HOTEL ROYAL LIMITED

(Incorporated in the Republic of Singapore)

(Co. Reg. No. 196800298G)

### 1 UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Directors of Hotel Royal Limited (the “Company”) are pleased to announce the following unaudited results of the Group for the fourth quarter and financial year ended 31 December 2016.

#### 1(a) GROUP PROFIT AND LOSS STATEMENT for the fourth quarter and financial year ended 31 December

	Notes	Group					
		Fourth Quarter Ended 31 Dec			Financial Year Ended 31 Dec		
		2016	2015	+ / (-)	2016	2015	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Revenue	1	15,104	14,012	7.8	58,704	57,280	2.5
Cost of sales	2	(7,288)	(5,968)	22.1	(27,816)	(28,093)	(1.0)
Gross profit		7,816	8,044	(2.8)	30,888	29,187	5.8
Other income	3	1,131	1,097	3.1	1,985	2,193	(9.5)
Distribution costs	4	(190)	50	>100	(961)	(1,015)	(5.3)
Administrative expenses	5	(2,124)	(3,690)	(42.4)	(13,693)	(14,780)	(7.4)
Other expenses	6	(1,681)	(3,024)	(44.4)	(2,649)	(4,828)	(45.1)
Finance cost	7	(1,106)	(1,384)	(20.1)	(4,644)	(5,124)	(9.4)
Profit before income tax	8	3,846	1,093	>100	10,926	5,633	94.0
Income tax expense	9	(993)	(1,332)	(25.5)	(3,191)	(2,740)	16.5
Profit (Loss) for the year attributable to owners of the Company		2,853	(239)	>100	7,735	2,893	>100

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the fourth quarter and financial year ended 31 December**

	<u>Group</u>			
	<u>Fourth Quarter Ended 31 Dec</u>		<u>Financial Year Ended 31 Dec</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Profit (Loss) for the year	2,853	(239)	7,735	2,893
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Increase in valuation of freehold land - hotels	1,890	12,945	1,890	12,945
Income tax relating components of other comprehensive income that will not be reclassified subsequently	(65)	(82)	(65)	(82)
<b>Total</b>	<b>1,825</b>	<b>12,863</b>	<b>1,825</b>	<b>12,863</b>
<i>Items that may be reclassified subsequently to profit or loss</i>				
Fair value gain (loss) recognised in fair value reserve	109	1,346	384	(573)
Transfer from fair value reserve to profit or loss upon disposal of available-for-sale investments	(60)	(1,302)	(39)	(925)
Net fair value changes on available-for-sale financial assets	49	44	345	(1,498)
Remeasurement of defined benefit obligation	27	-	27	-
Exchange differences arising on consolidation	671	3,749	1,663	(12,526)
<b>Total</b>	<b>747</b>	<b>3,793</b>	<b>2,035</b>	<b>(14,024)</b>
Other comprehensive income (loss) for the period	2,572	16,656	3,860	(1,161)
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>5,425</b>	<b>16,417</b>	<b>11,595</b>	<b>1,732</b>

## Notes

### 1. Revenue

Revenue comprises the following:

	<u>Group</u>					
	<u>Fourth Quarter Ended 31 Dec</u>			<u>Financial Year Ended 31 Dec</u>		
	<u>2016</u>	<u>2015</u>	<u>+ / (-)</u>	<u>2016</u>	<u>2015</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Room revenue	8,997	8,258	8.9	35,087	34,427	1.9
Food and beverage revenue	2,150	2,178	(1.3)	8,712	8,616	1.1
Spa revenue	254	223	13.9	1,010	883	14.4
Rental income from:						
Investment properties	2,330	2,030	14.8	8,706	8,394	3.7
Within hotel premises	752	677	11.1	2,892	2,798	3.4
Car park revenue	374	295	26.8	1,399	1,163	20.3
Interest income from outside	46	45	2.2	134	212	(36.8)
Dividend income from:						
Quoted equity investments	61	83	(26.5)	343	354	(3.1)
Unquoted	36	-	100	36	31	16.1
Others	104	223	(53.4)	385	402	(4.2)
<b>Total</b>	<b>15,104</b>	<b>14,012</b>	<b>7.8</b>	<b>58,704</b>	<b>57,280</b>	<b>2.5</b>

#### ***Room revenue***

Group room revenue for fourth quarter and financial year ended 31 December 2016 increased by 8.9% and 1.9% respectively as compared to corresponding periods in 2015 mainly due to improved room occupancy and upward adjustment of room rates in some of the Group's hotels.

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

Rental income from investment properties for fourth quarter and financial year ended 31 December 2016 increased by 14.8% and 3.7% respectively as compared to corresponding periods in 2015 mainly due to higher rental income from investment properties in Singapore and New Zealand. The strengthened New Zealand dollar against the Singapore dollar also contributed to the increase.

### 2. Cost of sales

The increase in cost of sales for fourth quarter 2016 as compared to fourth quarter 2015 was mainly due to higher costs in some of the Group's subsidiaries. However, cost of sales decreased for financial year ended 31 December 2016 as compared to 2015 mainly due to lower costs in some of the Group's hotels.

**3. Other income**

Other income comprises of foreign exchange gain, write back of prior years' impairment losses on investment property and hotel building, gain on disposal of property, plant and equipment, gain on disposal of available-for-sale investments, write back of allowance for doubtful receivables and other miscellaneous income.

The increase in other income for fourth quarter 2016 as compared to fourth quarter 2015 was mainly due to write back of impairment loss on hotel building of S\$0.813 million by Hotel Royal Bangkok @ Chinatown and write back of impairment loss on investment property of S\$0.284 million by Royal Properties. However, other income decreased for financial year ended 31 December 2016 as compared to 2015 mainly due to lower gain on disposal of available-for-sale investments and lower gain from write back of allowance for doubtful receivables.

**4. Distribution costs**

The increase in distribution costs for fourth quarter 2016 as compared to fourth quarter 2015 was mainly due to overprovision of expense reversed in fourth quarter 2015. However, the distribution costs decreased for financial year ended 31 December 2016 as compared to 2015 mainly due to lower sales commission expenses in some of the Group's hotels.

**5. Administrative expenses**

The decrease in administrative expenses for fourth quarter and financial year ended 31 December 2016 as compared to corresponding periods in 2015 was mainly due to lower overhead expenses in some of the Group's hotels.

**6. Other expenses**

Other expenses comprise of foreign exchange loss, allowance for doubtful receivables, impairment loss on available-for-sale investments, fair value loss on held-for-trading investments and other miscellaneous expenses.

The decrease for fourth quarter and financial year ended 31 December 2016 as compared to corresponding periods in 2015 was mainly due to no foreign exchange loss in the fourth quarter of 2016, lower allowance for doubtful receivables, absence of bad debt expenses and lower impairment loss on available-for-sale investments.

**7. Finance cost**

The decrease in finance costs for fourth quarter and financial year ended 31 December 2016 as compared to corresponding periods in 2015 was mainly due to repayment of bank loans by some of the Group's subsidiaries.

## 8. Profit before income tax

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

	<u>Group</u>					
	<u>Fourth Quarter Ended 31 Dec</u>			<u>Financial Year Ended 31 Dec</u>		
	<u>2016</u>	<u>2015</u>	<u>+ / (-)</u>	<u>2016</u>	<u>2015</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation	1,756	2,074	(15.3)	8,887	8,731	1.8
Impairment loss on hotel building	-	829	(100)	-	829	(100)
Impairment loss on goodwill	-	1,384	(100)	-	1,384	(100)
Impairment loss on available-for-sale investments	28	136	(79.4)	254	317	(19.9)
Allowance for doubtful receivables	83	91	(8.8)	84	235	(64.3)
Write back of allowance for doubtful receivables	(174)	(155)	12.3	(183)	(343)	(46.6)
Bad debt written off	-	151	(100)	-	151	(100)
Bad debt recovered	-	(2)	(100)	-	(2)	(100)
Fair value loss (gain) on held-for-trading investments	90	(17)	>100	84	145	(42.1)
Net foreign exchange adjustment (gain) loss	(341)	203	>100	(271)	1,110	>100
Gain on disposal of available-for-sale investments	(3)	(905)	(99.7)	(54)	(1,282)	(95.8)
Gain on disposal of property, plant and equipment	(1)	(13)	(92.3)	(73)	(2)	>100
Write back of prior years' impairment loss on investment property	(284)	-	100	(284)	-	100
Write back of prior year's impairment loss on hotel building	(813)	-	100	(813)	-	100
Allowance for diminution in value of unquoted investment	15	-	100	15	-	100

### ***Depreciation***

The depreciation expense decreased for fourth quarter 2016 as compared to fourth quarter 2015 mainly due to higher disposal of plants and equipments in some of the Group's subsidiaries. However, the depreciation expense increased for financial year ended 31 December 2016 as compared to 2015 mainly due to full year depreciation on plant and equipments acquired in 2015.

### ***Impairment loss on available-for-sale investments***

The decrease in impairment loss on available-for-sale investments was mainly due to strengthened stock market conditions.

### ***Allowance for doubtful receivables***

The decrease for fourth quarter and financial year ended 31 December 2016 as compared to corresponding periods in 2015 was mainly due to lower exposure to doubtful receivables in the Company in 2016.

### ***Write back of allowance for doubtful receivables***

Write back of doubtful receivables results from collection of debts. The higher write back for 2015 related to doubtful receivables in New Zealand subsidiary.

### ***Net foreign exchange adjustment (gain)loss***

The net foreign exchange gain for fourth quarter and financial year ended 31 December 2016 as opposed to net foreign exchange loss for corresponding periods in 2015 was mainly due to strengthened United states dollar and Thai baht against Singapore dollar.

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

The decrease for fourth quarter and financial year ended 31 December 2016 as compared to corresponding periods in 2015 was mainly due to lower disposal of investments.

### ***Gain on disposal of property, plant and equipments***

The increase for financial year ended 31 December 2016 as compared to 2015 was mainly due to disposal of plant and equipments.

## 9. Income tax expense

Income tax expense as a percentage of pre-tax profit decreased for fourth quarter 2016 as compared to fourth quarter 2015 mainly due to lower taxable income in the Company. However, income tax expense increased for financial year ended 31 December 2016 as compared to 2015 mainly due to higher taxable income in the New Zealand subsidiary.

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

	<u>Notes</u>	<u>The Group</u>		<u>The Company</u>	
		<u>31 Dec 16</u>	<u>31 Dec 15</u>	<u>31 Dec 16</u>	<u>31 Dec 15</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	10	14,721	17,037	2,291	2,770
Held-for-trading investments	11	6,268	3,743	599	620
Available-for-sale investments		8,119	8,230	1,720	1,697
Trade receivables	12	3,629	4,022	1,130	1,322
Other receivables , deposits and prepaid expenses	13	1,363	1,584	216	258
Inventories		770	772	45	136
Tax recoverable		4	7	-	-
<b>Total current assets</b>		<b>34,874</b>	<b>35,395</b>	<b>6,001</b>	<b>6,803</b>
<b>Non-current assets</b>					
Deferred tax assets		-	-	-	-
Subsidiaries		-	-	169,130	162,473
Available-for-sale investments		3,435	3,434	1,055	1,088
Other assets		1,147	1,129	-	-
Goodwill		1,829	1,783	-	-
Property, plant and equipment		590,216	588,808	243,772	243,073
Investment properties		94,390	93,492	24,022	24,443
<b>Total non-current assets</b>		<b>691,017</b>	<b>688,646</b>	<b>437,979</b>	<b>431,077</b>
<b>Total assets</b>		<b>725,891</b>	<b>724,041</b>	<b>443,980</b>	<b>437,880</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current liabilities</b>					
Bank loans	14	13,805	19,814	-	-
Trade payables	15	3,587	4,927	2,036	2,973
Other payables	16	4,580	3,823	2,249	2,933
Current portion of finance lease		42	20	-	-
Income tax payable		2,591	2,369	1,156	1,207
<b>Total current liabilities</b>		<b>24,605</b>	<b>30,953</b>	<b>5,441</b>	<b>7,113</b>
<b>Non-current liabilities</b>					
Other payables		95	110	23,274	26,807
Retirement benefit obligations		663	598	-	-
Long-term bank loans	14	137,858	137,345	66,864	58,164
Finance lease		-	14	-	-
Deferred tax liabilities		19,803	19,549	562	724
<b>Total non-current liabilities</b>		<b>158,419</b>	<b>157,616</b>	<b>90,700</b>	<b>85,695</b>

**1(b)(i) STATEMENTS OF FINANCIAL POSITION (Cont'd)**

	<u>Notes</u>	<u>The Group</u>		<u>The Company</u>	
		<u>31 Dec 16</u>	<u>31 Dec 15</u>	<u>31 Dec 16</u>	<u>31 Dec 15</u>
		<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b>Capital and reserves</b>					
Share capital		100,438	100,438	100,438	100,438
Asset revaluation reserve		354,185	352,360	210,108	210,108
Employee benefit reserve		198	171	-	-
Fair value reserve	17	2,075	1,730	465	460
Translation reserve	18	(12,960)	(14,623)	-	-
Retained earnings		98,931	95,396	36,828	34,066
<b>Total equity</b>		<u>542,867</u>	<u>535,472</u>	<u>347,839</u>	<u>345,072</u>
<b>Total liabilities and equity</b>		<u>725,891</u>	<u>724,041</u>	<u>443,980</u>	<u>437,880</u>

**Notes**

**10. Cash and bank balances**

The decrease in cash and bank balances was mainly due to repayment of bank loans, purchase of plant and equipment and purchase of held-for-trading investments during the financial year.

**11. Held-for-trading investments**

The increase in held-for-trading investments was mainly due to higher purchase of investments during the financial year.

**12. Trade receivables**

The decrease in trade receivables was mainly due to prompt collection from trade debtors.

**13. Other receivables**

The decrease in other receivables arose from lower other debtors and lower prepayments in some of the Group's subsidiaries.

**14. Bank loans**

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

The decrease in short-term bank loans was mainly due to repayment of bank loans during the financial year. However, the increase in long-term bank loan was mainly due to drawdown of new loans in the Company.

**15. Trade payables**

The decrease in trade payables was mainly due to lower expenses and prompt payments made to trade creditors.

**16. Other payables**

The increase in other payables mainly arose from higher accrued expenses in some of the Group's hotels.

**17. Fair value reserve**

The increase in fair value reserve result from mark-to-market gains on available-for-sale investments.

**18. Translation reserve**

Negative currency translation reserve reduced from S\$14.623 million as at 31 December 2015 to S\$12.960 million as at 31 December 2016 mainly due to gain on translating the net assets of New Zealand subsidiary and Thailand subsidiaries into Singapore dollar as both New Zealand dollar and Thai baht had strengthened against Singapore dollar. The decrease was offset by loss on translating the net assets of Malaysian subsidiaries into Singapore dollar as Malaysian ringgit had weakened against Singapore dollar.

**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 Dec 2016</u>		<u>As at 31 Dec 2015</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
13,805	-	19,814	-

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

<u>As at 31 Dec 2016</u>		<u>As at 31 Dec 2015</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
137,858	-	137,345	-

**Details of collaterals**

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

**1(c) CONSOLIDATED STATEMENT OF CASH FLOWS  
for the fourth quarter and financial year ended 31 December**

	<u>Group</u>			
	<u>Fourth Quarter Ended</u>		<u>Financial Year Ended</u>	
	<u>31 Dec</u>		<u>31 Dec</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b>Operating activities:</b>				
Profit before income tax	3,846	1,093	10,926	5,633
Adjustments for:				
Depreciation expense	1,756	2,074	8,887	8,731
Dividend income	(96)	(83)	(378)	(385)
Interest income	(46)	(45)	(134)	(212)
Interest expense	1,106	1,384	4,644	5,124
Gain on disposal of available-for-sale investments	(3)	(905)	(54)	(1,282)
Fair value loss (gain) on held-for-trading investments	90	(17)	84	145
Allowance for doubtful receivables	83	91	84	235
Write back of allowance for doubtful receivables	(174)	(155)	(183)	(343)
Bad debt written off	-	151	-	151
Bad debt recovered	-	(2)	-	(2)
Impairment loss on available-for-sale investment	28	136	254	317
Gain on disposal of property, plant and equipment	(1)	(13)	(73)	(2)
Impairment loss on hotel building	-	829	-	829
Impairment loss on goodwill	-	1,384	-	1,384
Write back of prior years' impairment loss on investment property	(284)	-	(284)	-
Write back of prior year's impairment loss on hotel building	(813)	-	(813)	-
Allowance for diminution in value of unquoted investment	15	-	15	-
Operating cash flows before movements in working capital	5,507	5,922	22,975	20,323
Available-for-sale investments	(168)	(1,207)	(127)	(1,559)
Held-for-trading investments	(62)	188	(2,609)	2,379
Trade and other receivables	(44)	(185)	697	4,171
Inventories	(43)	198	2	(25)
Trade and other payables	127	1,542	(573)	(714)
Cash generated from operations	5,317	6,458	20,365	24,575
Interest paid	(1,106)	(1,384)	(4,644)	(5,124)
Interest received	46	45	134	212
Dividend received	96	83	378	385
Income tax paid – net of refund	(206)	3,337	(2,970)	(2,547)
Net cash generated from operating activities	4,147	8,539	13,263	17,501

1(c) **CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the fourth quarter and financial year ended 31 December (Continued)

	<u>Group</u>			
	<u>Fourth Quarter Ended</u>		<u>Financial Year Ended</u>	
	<u>31 Dec</u>		<u>31 Dec</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b>Investing activities:</b>				
Acquisition of The Baba House	-	-	-	(9,943)
Purchase of available-for-sale investments	(45)	(2,436)	(740)	(4,045)
Proceeds from disposal of available-for-sale investments	(5)	4,535	1,108	6,431
Proceeds from disposal of property, plant & equipment	64	(74)	157	17
Purchase of property, plant and equipment (Note A)	(1,372)	100	(5,529)	(11,158)
Addition of investment properties	248	784	(139)	(2,864)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash (used in) generated from investing activities	(1,110)	2,909	(5,143)	(21,562)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Financing activities:</b>				
Proceeds from bank loans	8,388	2,226	11,911	30,605
Repayment of bank loans	(11,441)	(4,739)	(17,934)	(23,308)
Fixed deposit pledged to banks	8	87	8	87
Repayment of finance lease	(19)	(11)	(43)	(46)
Dividends paid	-	-	(4,200)	(4,200)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash (used in) generated from financing activities	(3,064)	(2,437)	(10,258)	3,138
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net (decrease) increase in cash and cash equivalents	(27)	9,011	(2,138)	(923)
Cash and cash equivalents at beginning of period	13,819	14,940	16,397	17,107
Effect of currency exchange adjustment	297	(7,554)	(170)	213
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash and cash equivalents at end of period</b>	<b>14,089</b>	<b>16,397</b>	<b>14,089</b>	<b>16,397</b>

Note A: During the year, the Group acquired property, plant and equipment with aggregate cost of S\$5.579 million of which S\$50k was acquired under finance lease agreement.

Cash and cash equivalents consist of:

	<u>Group</u>	
	<u>31 Dec</u>	<u>31 Dec</u>
	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash on hand	156	144
Cash at bank	13,338	15,677
Fixed deposits	1,227	1,216
	<u>          </u>	<u>          </u>
	14,721	17,037
Less: Fixed deposits pledged	(632)	(640)
	<u>          </u>	<u>          </u>
Total	<b>14,089</b>	<b>16,397</b>

## 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>Translation reserve</u> S\$'000	<u>Retained earnings</u> S\$'000	<u>Total</u> S\$'000
<b>The Group</b>							
Balance at 1 January 2015	100,438	339,497	171	3,228	(2,097)	96,703	537,940
Dividend	-	-	-	-	-	(4,200)	(4,200)
Total comprehensive income for the period	-	-	-	(1,542)	(16,275)	3,132	(14,685)
<b>Balance at 30 September 2015</b>	<b>100,438</b>	<b>339,497</b>	<b>171</b>	<b>1,686</b>	<b>(18,372)</b>	<b>95,635</b>	<b>519,055</b>
Total comprehensive income for the period	-	12,863	-	44	3,749	(239)	16,417
<b>Balance at 31 December 2015</b>	<b>100,438</b>	<b>352,360</b>	<b>171</b>	<b>1,730</b>	<b>(14,623)</b>	<b>95,396</b>	<b>535,472</b>
Balance at 1 January 2016	100,438	352,360	171	1,730	(14,623)	95,396	535,472
Dividend	-	-	-	-	-	(4,200)	(4,200)
Total comprehensive income for the period	-	-	-	296	992	4,882	6,170
<b>Balance at 30 September 2016</b>	<b>100,438</b>	<b>352,360</b>	<b>171</b>	<b>2,026</b>	<b>(13,631)</b>	<b>96,078</b>	<b>537,442</b>
Total comprehensive income for the period	-	1,825	27	49	671	2,853	5,425
<b>Balance at 31 December 2016</b>	<b>100,438</b>	<b>354,185</b>	<b>198</b>	<b>2,075</b>	<b>(12,960)</b>	<b>98,931</b>	<b>542,867</b>

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

	<u>Share capital</u> <u>S\$'000</u>	<u>Asset revaluation reserve</u> <u>S\$'000</u>	<u>Fair value reserve</u> <u>S\$'000</u>	<u>Retained earnings</u> <u>S\$'000</u>	<u>Total</u> <u>S\$'000</u>
<b>The Company</b>					
Balance at 1 January 2015	100,438	206,108	642	30,887	338,075
Dividend	-	-	-	(4,200)	(4,200)
Total comprehensive income for the period	-	-	(269)	6,223	5,954
<b>Balance at 30 September 2015</b>	100,438	206,108	373	32,910	339,829
Total comprehensive income for the period	-	4,000	87	1,156	5,243
<b>Balance at 31 December 2015</b>	100,438	210,108	460	34,066	345,072
Balance at 1 January 2016	100,438	210,108	460	34,066	345,072
Dividend	-	-	-	(4,200)	(4,200)
Total comprehensive income for the period	-	-	145	5,465	5,610
<b>Balance at 30 September 2016</b>	100,438	210,108	605	35,331	346,482
Total comprehensive income for the period	-	-	(140)	1,497	1,357
<b>Balance at 31 December 2016</b>	100,438	210,108	465	36,828	347,839

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

	<b><u>The Group and the Company</u></b>			
	<b><u>31 Dec 2016</u></b>	<b><u>31 Dec 2015</u></b>	<b><u>31 Dec 2016</u></b>	<b><u>31 Dec 2015</u></b>
	<b><u>Number of ordinary shares</u></b>		<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>
	<b><u>'000</u></b>			
<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 was no change 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 2015.

**5 CHANGES IN ACCOUNTING POLICIES**

There has been no change in accounting policy which has a material financial effect on the results and financial position of the Group and of the Company for the current and the previous financial periods.

## 6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>			
	<u>Fourth Quarter Ended 31 Dec</u>		<u>Financial Year Ended 31 Dec</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
EPS (based on consolidated profit after taxation)				
- on weighted average number of shares	3.40 cents	(0.28) cents	9.21 cents	3.44 cents
- on a fully diluted basis	3.40 cents	(0.28) cents	9.21 cents	3.44 cents

Basic earnings per share is calculated based on the Group's profit for fourth quarter and financial year of S\$2.853 million and S\$7.735 million respectively (2015: S\$(0.239) million and S\$2.893 million respectively) after income tax expense divided by 84 million (2015: 84 million) ordinary shares.

Diluted earnings per ordinary share are 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 Dec 2016</u>	<u>31 Dec 2015</u>	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>
NAV per share based on issued number of shares as at the end of the respective period	S\$6.46	S\$6.37	S\$4.14	S\$4.11

The NAV per share as at 31 December 2016 and 31 December 2015 were calculated based on the number of shares in issue of 84 million ordinary shares.

## 8 REVIEW OF GROUP PERFORMANCE

### Fourth quarter 2016 vs. Fourth quarter 2015

The Group's revenue for fourth quarter increased by 7.8% or S\$1.092 million from S\$14.012 million in 2015 to S\$15.104 million in 2016 mainly due to higher room revenue and higher rental income from investment properties.

The Group had profit after income tax of S\$2.853 million for fourth quarter 2016 as opposed to loss after income tax of S\$0.239 million for fourth quarter 2015 mainly due to higher room revenue, higher investment properties' rental income, lower finance costs and lower income tax expenses.

### Financial year ended 2016 vs. Financial year ended 2015

The Group's revenue for financial year ended 31 December 2016 increased by 2.5% or S\$1.424 million from S\$57.280 million in 2015 to S\$58.704 million in 2016 mainly due to higher room revenue and higher rental income from investment properties, higher spa revenue and higher car park revenue.

The Group made a profit after income tax of S\$7.735 million for financial year ended 31 December 2016 as compared to S\$2.893 million for financial year ended 31 December 2015. Adjusting for write back of prior years' impairment loss on investment property of S\$0.284 million in Royal Properties and write back of prior year's impairment loss on hotel building of S\$0.813 million in Hotel Royal Bangkok @ Chinatown, the adjusted profit after income tax for financial year ended 31 December 2016 was as follows:

	<u>2016</u> S\$'000	<u>2015</u> S\$'000	<u>+ / (-)</u> S\$'000	<u>+ / (-)</u> %
Profit after income tax	7,735	2,893	4,842	>100
Adjusted for:				
- One-off stamp duty and legal fee expenses relating to the acquisition of :				
- The Baba House	-	312	(312)	(100)
- The remaining five retail units on ground floor of Penang Plaza	-	86	(86)	(100)
- Impairment loss on hotel building in Hotel Royal Bangkok @ Chinatown	-	829	(829)	(100)
- Impairment loss on goodwill for investment in the Baba House	-	1,384	(1,384)	(100)
- Write back of prior years' impairment loss on investment property in Royal Properties	(284)	-	(284)	100
- Write back of prior year's impairment loss on hotel building in Hotel Royal Bangkok @ Chinatown	(813)	-	(813)	100
Adjusted profit after income tax	<u>6,638</u>	<u>5,504</u>	<u>1,134</u>	<u>20.6</u>

The 20.6% or S\$1.134 million increase in the Group's adjusted profit after income tax for financial year ended 31 December 2016 as compared to 2015 was mainly due to lower operating expenses and lower finance costs.

In the opinion of the Directors, no transaction has arisen between 31 December 2016 and the date of this report which would materially affect the results of the Group and the Company for the period just ended.

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

Not applicable.

**10 OUTLOOK**

The hospitality industry in Singapore, Malaysia and Thailand continues to be very competitive and the Group expects more challenges in the year ahead. The Group will continue to focus on improving our service quality and enhancing the customers' experience, so as to improve our room occupancy and room rates.

The Group will continue to actively upgrade the properties in New Zealand to maximize their rental income through improved room occupancy and average rental rate.

The Group's managed fund portfolio will be affected by world events such as the concerns over the impact of BREXIT and potential interest rate increase.

In addition to the above, the Group's profitability will continue to be influenced by fluctuations in exchange rates of currencies such as the New Zealand dollar, United States dollar, Malaysian ringgit and Thai baht against Singapore dollar; mark-to-market gains or losses in our investment portfolio and potential increase in interest rate.

**11 DIVIDEND**

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

**First and Final Dividend**

The following dividend is proposed for the financial year ended 31 December 2016:

Name of Dividend	First and final
Dividend Type	Cash
Dividend Rate	5 cents per ordinary share (one-tier tax exempt)
Tax Rate	Exempt

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

**First and Final Dividend**

The following dividend was declared for the financial year ended 31 December 2015:

Name of Dividend	First and final
Dividend Type	Cash
Dividend Rate	5 cents per ordinary share (one-tier tax exempt)
Tax Rate	Exempt

**(c) Date payable**

To be announced.

**(d) Books closure date**

To be announced.

## 12 OPERATING SEGMENT

The Group is primarily engaged in the following operations:

- Owning and operating hotels and providing ancillary services (“hotel operation”)
- Owning and letting out investment properties (“property investment”)
- Holding financial investments which comprise financial assets such as shares, bonds, funds and other financial products, to generate a stable stream of income through interest and dividends, and also for potential capital appreciation (“financial investment”)

### I. Revenue

	External		Inter-segment		Total	
	<u>2016</u> <u>S\$'000</u>	<u>2015</u> <u>S\$'000</u>	<u>2016</u> <u>S\$'000</u>	<u>2015</u> <u>S\$'000</u>	<u>2016</u> <u>S\$'000</u>	<u>2015</u> <u>S\$'000</u>
<b>Hotel operation</b>						
Singapore	25,856	27,558	-	-	25,856	27,558
Malaysia	8,998	9,024	-	-	8,998	9,024
Thailand	13,692	10,992	-	-	13,692	10,992
	48,546	47,574	-	-	48,546	47,574
<b>Property investment</b>						
Singapore	1,809	1,693	116	115	1,925	1,808
New Zealand	6,997	6,538	-	-	6,997	6,538
Malaysia	839	851	-	-	839	851
	9,645	9,082	116	115	9,761	9,197
<b>Financial investment</b>	513	624	1,410	1,737	1,923	2,361
<b>Total</b>	58,704	57,280	1,526	1,852	60,230	59,132

## II. Net profit

	<b>Net profit (loss) for the year</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>
<b>Hotel operation</b>		
Singapore	7,160	8,098
Malaysia	(1,346)	(2,964)
Thailand	3,410	(517)
	<hr/>	<hr/>
	9,224	4,617
	<hr/>	<hr/>
<b>Property investment</b>		
Singapore	1,739	1,201
New Zealand	3,691	3,495
Malaysia	726	276
	<hr/>	<hr/>
	6,156	4,972
	<hr/>	<hr/>
<b>Financial investment</b>	190	1,168
	<hr/>	<hr/>
<b>Total</b>	15,570	10,757
Finance cost	(4,644)	(5,124)
	<hr/>	<hr/>
<b>Profit before income tax</b>	10,926	5,633
<b>Income tax expense</b>	(3,191)	(2,740)
	<hr/>	<hr/>
<b>Profit after income tax</b>	7,735	2,893
	<hr/>	<hr/>

### III. Segment assets and liabilities

	Segment assets		Segment liabilities	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b>Hotel operation</b>				
Singapore	447,704	451,659	3,163	4,011
Malaysia	50,092	52,392	1,422	1,455
Thailand	103,240	99,926	3,312	2,733
	<hr/>	<hr/>	<hr/>	<hr/>
	601,036	603,977	7,897	8,199
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Property investment</b>				
Singapore	30,155	29,475	198	204
New Zealand	60,078	56,319	490	703
Malaysia	14,376	14,376	319	325
	<hr/>	<hr/>	<hr/>	<hr/>
	104,609	100,170	1,007	1,232
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Financial investment</b>	19,015	18,671	21	27
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	724,660	722,818	8,925	9,458
<b>Unallocated items</b>	1,231	1,223	174,099	179,111
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Consolidated total</b>	725,891	724,041	183,024	188,569
	<hr/>	<hr/>	<hr/>	<hr/>

#### IV. Other segment information

	<b>Depreciation</b>		<b>Additions to non-current assets</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>
<b>Hotel operation</b>				
Singapore	3,323	3,450	2,742	3,511
Malaysia	2,032	1,951	1,562	3,089
Thailand	2,220	2,076	1,086	4,558
	<hr/>	<hr/>	<hr/>	<hr/>
	7,575	7,477	5,390	11,158
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Property investment</b>				
Singapore	468	444	189	-
New Zealand	663	655	139	402
Malaysia	181	155	-	2,462
	<hr/>	<hr/>	<hr/>	<hr/>
	1,312	1,254	328	2,864
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Financial investment</b>	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,887	8,731	5,718	14,022
	<hr/>	<hr/>	<hr/>	<hr/>

#### V. Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial investments) by geographical location are detailed below:

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Singapore	28,136	29,812	452,381	452,992
Malaysia	9,869	9,904	84,596	85,637
New Zealand	7,007	6,563	56,683	55,154
Thailand	13,692	11,001	97,357	94,863
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>58,704</u></b>	<b><u>57,280</u></b>	<b><u>691,017</u></b>	<b><u>688,646</u></b>

### 13 REVIEW OF SEGMENT PERFORMANCE

The net profit for hotel operation segment increased by 99.8% or S\$4.607 million from S\$4.617 million in 2015 to S\$9.224 million in 2016. This was mainly due to better performance from hotels operations in Malaysia and Thailand. The increase was offset by lower contribution from hotel operation in Singapore.

The net profit for property investment segment increased by 23.8% or S\$1.184 million from S\$4.972 million in 2015 to S\$6.156 million in 2016. This was mainly due to better performance from properties segments in Singapore, New Zealand and Malaysia.

The net profit for financial investment decreased by 83.7% or S\$0.978 million from S\$1.168 million in 2015 to S\$0.190 million in 2016. This was mainly due to lower gain on disposal of available-for-sale investments.

### 14 BREAKDOWN OF SALES

	<u>Group</u>		
	<u>2016</u>	<u>2015</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
<b><u>Revenue reported for:</u></b>			
1 <sup>st</sup> Quarter	15,219	15,331	(0.7)
2 <sup>nd</sup> Quarter	13,291	13,830	(3.9)
3 <sup>rd</sup> Quarter	15,090	14,107	7.0
4 <sup>th</sup> Quarter	15,104	14,012	7.8
	<hr/>	<hr/>	<hr/>
Total	58,704	57,280	2.5
	<hr/>	<hr/>	<hr/>
<b><u>Profit for the year attributable to equity holders of the Company:</u></b>			
1 <sup>st</sup> Quarter	2,179	2,167	0.6
2 <sup>nd</sup> Quarter	469	712	(34.1)
3 <sup>rd</sup> Quarter	2,234	253	>100
4 <sup>th</sup> Quarter	2,853	(239)	>100
	<hr/>	<hr/>	<hr/>
Total	7,735	2,893	>100
	<hr/>	<hr/>	<hr/>

### 15 TOTAL ANNUAL DIVIDEND

	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Ordinary		
Interim	-	-
Final	4,200	4,200
	<hr/>	<hr/>
	4,200	4,200
	<hr/>	<hr/>

### 16 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 mandate from its shareholders for interested person transactions.

**17 CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS**

The Company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

**18 SUBSEQUENT EVENT**

On 6 February 2017, the Company wholly-owned Malaysia subsidiary, Baba Residences Sdn Bhd (“BRSB”), entered into a three year tenancy agreement with Riaplan Sdn Bhd (“RPSB”) for 129, 131, 133 and 135 Jalan Tun Tan Cheng Lock (“Property”) in Melaka. The property is strategically located next to our Baba House. There is an option to renew for another 17 years. 3 year advance rental of RM0.75 million, rental deposit of RM4.25 million and renovation deposit of RM5 million was paid to the landlord.

The leasehold Property has a remaining lease of 92 years. The land area is about 1,354.23 square metres and a total floor area of about 2,699 square metres.

BRSB has an option to purchase the property or purchase the entirely paid up and issued share capital of RPSB for RM15 million on 31 December 2018. The advance rental and the deposits amounting to RM10 million will form part of the purchase consideration. An additional RM5 million will be payable to complete the transaction.

BRSB intends to incorporate the new property into Baba House so as to create an outstanding hotel in Melaka’s core conservation district.

**PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO THE DIRECTORS, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDERS**

Pursuant to Rule 704(13) of the Listing Manual of SGX-ST, we set out below the persons holding managerial positions in the Group who are related to the Directors, Chief Executive Officer or substantial shareholders of the Company or of any of its principal subsidiaries:

<b>Name</b>	<b>Age</b>	<b>Family relationship with any director, CEO and/or substantial shareholder</b>	<b>Current position and duties, and the year the position was first held</b>	<b>Details of changes in duties and position held, if any, during the year</b>
Mr. Lee Chou Hock (BAcc, MBA)	63	Nephew of Dr. Lee Keng Thon, Chairman of Hotel Royal Limited	Joined the group in 1985. Presently the Chief Executive Officer of the Company. His duties include the general management of the Company and Group.	Nil
Mrs. Wong Siew Choo	71	Sister of Dr. Lee Keng Thon, Chairman of Hotel Royal Limited	Joined the Company in 1973. Presently the Revenue Controller of the Company and alternate Company Secretary (since 2 August 1975). Her duties include the overall supervision of the Company's cash management and credit control.	Nil
Mr. Lee Chu Bing (BA)	37	Son of Dr. Lee Keng Thon, Chairman of Hotel Royal Limited	Joined the group in 2004. Presently the General Manager of Hotel Royal @ Queens (Singapore) Pte Ltd. His duties include the general management of Hotel Royal @ Queens (Singapore) Pte Ltd.	Nil

**BY ORDER OF THE BOARD**

Sin Chee Mei  
Company Secretary

24 February 2017