



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

1 UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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 2018.

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

	<u>Notes</u>	<u>Group</u>		
		<u>First Quarter Ended 31 March</u>		
		<u>2018</u>	<u>2017</u>	<u>+ / (-)</u>
		<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Revenue	1	16,689	16,166	3.2
Cost of sales	2	(7,861)	(6,888)	14.1
Gross profit		8,828	9,278	(4.9)
Other income	3	593	386	53.6
Distribution costs	4	(349)	(290)	20.3
Administrative expenses	5	(3,279)	(3,392)	(3.3)
Other expenses	6	(810)	(938)	(13.6)
Finance costs	7	(1,139)	(1,076)	5.9
Profit before income tax	8	3,844	3,968	(3.1)
Income tax expense	9	(1,315)	(783)	67.9
Profit for the period attributable to owners of the Company		2,529	3,185	(20.6)

**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>2018</u>	<u>2017</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Profit for the period	2,529	3,185	(20.6)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale investments:			
Fair value gain recognised in fair value reserve	(216)	654	n.m.
Transfer from fair value reserve to profit or loss upon disposal of available-for-sale investments	-	137	(100.0)
Transfer from fair value reserve to other comprehensive income upon disposal of available-for-sale investments	216	-	100.0
Re-measurement of defined benefit obligation	18	-	100.0
Exchange differences on translation of foreign operations	2,806	(1,290)	n.m.
Total	<u>2,824</u>	<u>(499)</u>	<u>n.m.</u>
Total comprehensive income for the period attributable to owners of the Company	5,353	2,686	99.3
n.m.: not meaningful	<u> </u>	<u> </u>	<u> </u>

Notes

1. Revenue

Revenue comprises the following:

	<u>Group</u>		
	<u>First Quarter Ended 31 March</u>		
	<u>2018</u>	<u>2017</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Room revenue	10,349	9,796	5.6
Food and beverage revenue	2,658	2,482	7.1
Spa revenue	371	332	11.7
Rental income from:			
Investment properties	2,107	2,216	(4.9)
Within premises	773	771	0.3
Car park revenue	319	330	(3.3)
Interest income from outside parties	4	30	(86.7)
Dividend income from:			
Quoted equity investments (gross)	68	40	70.0
Others	40	169	(76.3)
Total	<u>16,689</u>	<u>16,166</u>	<u>3.2</u>

Room revenue

Group room revenue increased by 5.6% for first quarter 2018 as compared to first quarter 2017 mainly due to higher room occupancy and upward adjustment of room rates in some of the Group's hotels.

Food and beverage revenue

The increase in food and beverage revenue for first quarter 2018 as compared to first quarter 2017 was mainly due to higher breakfast sales in some of the Group's hotels.

Rental income from investment properties

The decrease in rental income from investment properties for first quarter of 2018 as compared to first quarter of 2017 was mainly due to lower occupancy in some of the Group's properties.

2. Cost of sales

The increase in cost of sales for first quarter 2018 as compared to first quarter 2017 was mainly due to higher cost in some of the Group's subsidiaries.

3. Other income

Other income comprises mainly foreign exchange gain and miscellaneous other income.

The increase in other income for first quarter 2018 as compared to first quarter 2017 was mainly due to higher foreign exchange gain.

4. Distribution costs

The increase in distribution costs for first quarter 2018 as compared to first quarter 2017 was mainly due to higher sales commission expenses in some of the Group's hotels.

5. Administrative expenses

The decrease in administrative expenses for first quarter 2018 as compared to first quarter 2017 was mainly due to lower overhead expenses in some of the Group's hotels.

6. Other expenses

Other expenses comprise mainly foreign exchange loss, fair value loss on held-for-trading investments and miscellaneous other expenses.

The decrease in other expenses for first quarter 2018 as compared to first quarter 2017 was mainly due to lower foreign exchange loss offset by higher fair value loss on held-for-trading investments.

7. Finance costs

The increase in finance costs for first quarter 2018 as compared to first quarter 2017 was mainly due to rise in bank loan interest rates.

8. 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>2018</u>	<u>2017</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation expense	2,317	2,110	9.8
Allowance for doubtful receivables	-	1	(100.0)
Fair value loss (gain) on held-for-trading investments	141	(28)	n.m.
Net foreign exchange adjustment (gain) loss	(383)	194	n.m.
Gain on disposal of available-for-sale investments	-	(141)	(100.0)
Loss on disposal of property, plant and equipment	1	1	-

Depreciation expense

The higher depreciation expense for first quarter 2018 as compared to first quarter 2017 was mainly due to more fixed assets acquired in last year.

Fair value loss (gain) on held-for-trading investments

The Group had fair value loss on held-for-trading investments for first quarter 2018 as opposed to fair value gain for first quarter 2017 mainly due to weakened stock market conditions.

Net foreign exchange adjustment (gain) loss

The Group made net foreign exchange adjustment gain for first quarter 2018 as opposed to net foreign exchange adjustment loss for first quarter 2017 mainly due to the strengthened Malaysian ringgit and Thai baht against Singapore dollar offset by the weakened United States dollar against Singapore dollar.

Gain on disposal of available-for-sale investments

There was no gain on disposal of available-for-sale investments for first quarter 2018 due to the Group had adopted SFRS(I) 9 and reclassified the fair value reserve to other comprehensive income on disposal of available-for-sale investments.

9. Income tax expense

The increase in income tax expense for first quarter 2018 as compared to first quarter 2017 was mainly due to higher taxable income in the New Zealand subsidiary.

1(b)(i) STATEMENTS OF FINANCIAL POSITION

	<u>Notes</u>	<u>Group</u>		<u>Company</u>	
		<u>31 Mar 18</u>	<u>31 Dec 17</u> (Restated)	<u>31 Mar 18</u>	<u>31 Dec 17</u>
		<u>SS'000</u>	<u>SS'000</u>	<u>SS'000</u>	<u>SS'000</u>
<u>ASSETS</u>					
Current assets					
Cash and bank balances	10	19,454	18,328	1,718	1,464
Held-for-trading investments		7,657	7,706	1,381	1,272
Available-for-sale investments	11	8,351	9,053	2,007	2,086
Trade receivables		3,772	3,542	1,484	1,288
Other receivables, deposits and prepaid expenses		1,764	1,449	91	107
Inventories		848	861	80	108
Income tax recoverable		8	11	-	-
Total current assets		<u>41,854</u>	<u>40,950</u>	<u>6,761</u>	<u>6,325</u>
Non-current assets					
Subsidiaries		-	-	181,581	180,585
Available-for-sale investments	11	4,359	4,268	1,197	1,186
Other assets		728	830	-	-
Goodwill		1,920	1,875	-	-
Property, plant and equipment	12	608,986	605,718	245,223	245,610
Investment properties		91,310	91,222	23,542	23,638
Total non-current assets		<u>707,303</u>	<u>703,913</u>	<u>451,543</u>	<u>451,019</u>
Total assets		<u>749,157</u>	<u>744,863</u>	<u>458,304</u>	<u>457,344</u>
<u>LIABILITIES AND EQUITY</u>					
Current liabilities					
Bank loans	13	7,248	16,929	-	-
Trade payables		3,359	3,274	2,130	2,021
Other payables		6,252	5,964	2,252	2,515
Income tax payable		2,856	2,564	1,136	1,444
Total current liabilities		<u>19,715</u>	<u>28,731</u>	<u>5,518</u>	<u>5,980</u>
Non-current liabilities					
Other payables	14	450	1,733	24,019	23,890
Retirement benefit obligations		819	773	-	-
Long-term bank loans	13	144,131	135,842	73,964	74,064
Deferred tax liabilities		20,355	19,450	750	750
Total non-current liabilities		<u>165,755</u>	<u>157,798</u>	<u>98,733</u>	<u>98,704</u>
Capital and reserves					
Share capital		100,438	100,438	100,438	100,438
Asset revaluation reserve		364,577	364,577	213,108	213,108
Employee benefit reserve		198	180	-	-
Fair value reserve		2,988	3,707	553	759
Translation reserve	15	2,896	90	-	-
Retained earnings		92,590	89,342	39,954	38,355
Total equity		<u>563,687</u>	<u>558,334</u>	<u>354,053</u>	<u>352,660</u>
Total liabilities and equity		<u>749,157</u>	<u>744,863</u>	<u>458,304</u>	<u>457,344</u>

Notes

10. Cash and bank balances

The increase in cash and bank balances mainly arose from higher revenue and higher disposal of available-for-sale investments.

11. Available-for-sale investments

Available-for-sale investments consist of current portion and non-current portion.

The decrease in current portion of available-for-sale investments was mainly due to higher disposal of investments while the non-current portion of available-for-sale investments increased due to its higher market value.

12. Property, plant and equipment

The increase in property, plant and equipment was mainly due to translation gain from both Malaysia and Thailand subsidiaries as both Malaysian ringgit and Thai baht had strengthened against Singapore dollar.

13. Bank loans

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

The decrease in current bank loans was mainly due to bank loan repayments while the increase in long-term bank loans was mainly due to renewal of an expiring term loan facility in a Malaysia subsidiary.

14. Other payables (non-current liabilities)

The decrease in other payables (non-current liabilities) was mainly due to the additional RM 5 million balance payable to complete the transaction for acquisition of Baba Mansion in Baba Residences had become due within one year as mentioned below.

Baba Residences Sdn Bhd, a subsidiary of the Group, had entered into a three-year tenancy agreement with Riaplan Sdn Bhd on 6 February 2017. Baba Residences Sdn Bhd has an option to purchase the property or purchase the entire issued and paid up share capital of Riaplan Sdn Bhd for RM 15 million on 31 December 2018. The advance rental and rental deposits paid by Baba Residences Sdn Bhd amounting to RM 10 million will form part of the purchase consideration. An additional RM 5 million will be payable to complete the transaction.

15. Translation reserve

The increase in positive translation reserve to S\$2.896 million as at 31 March 2018 from S\$0.090 million as at 31 December 2017 mainly arose from translation gain on translating the net assets of both Malaysia and Thailand subsidiaries into Singapore dollar as both Malaysian ringgit and Thai baht had strengthened against Singapore dollar and reclassification of an amount of S\$12.960 million from translation reserve to the opening retained earnings as at 1 January 2017 upon adoption of SFRS(I).

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 2018</u>		<u>As at 31 Dec 2017</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
7,248	-	16,929	-

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

<u>As at 31 Mar 2018</u>		<u>As at 31 Dec 2017</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
144,131	-	135,842	-

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 first quarter ended 31 March

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Operating activities:		
Profit before income tax	3,844	3,968
Adjustments for:		
Depreciation expense	2,317	2,110
Dividend income	(68)	(40)
Interest income	(4)	(30)
Interest expense	1,139	1,076
Gain on disposal of available-for-sale investments	-	(141)
Fair value loss (gain) on held-for-trading investments	141	(28)
Loss on disposal of property, plant and equipment	1	1
Allowance for doubtful receivables	-	1
	<hr/>	<hr/>
Operating cash flows before movements in working capital	7,370	6,917
Available-for-sale investments	3	139
Held-for-trading investments	(92)	(941)
Trade and other receivables	(443)	(224)
Inventories	13	(158)
Trade and other payables	(893)	2,783
	<hr/>	<hr/>
Cash generated from operations	5,958	8,516
Interest paid	(1,139)	(1,076)
Interest received	4	30
Dividend received	68	40
Income tax paid – net of refund	(158)	(474)
	<hr/>	<hr/>
Net cash from operating activities	4,733	7,036
	<hr/>	<hr/>
Investing activities:		
Purchase of available-for-sale investments	(421)	(1,227)
Proceed from disposal of available-for-sale investments	1,030	444
Purchase of property, plant and equipment	(792)	(5,289)
Proceeds from disposal of property, plant and equipment	8	3
Additions to investment properties	(298)	(9)
	<hr/>	<hr/>
Net cash used in investing activities	(473)	(6,078)
	<hr/>	<hr/>

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

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Financing activities:		
Fixed deposits pledged to banks	(29)	9
Proceeds from bank loans	-	4,197
Repayment of bank loans	(4,455)	(2,410)
Repayment of finance lease	-	(18)
	<hr/>	<hr/>
Net cash (used in) from financing activities	(4,484)	1,778
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(224)	2,736
Cash and cash equivalents at beginning of period	17,248	14,089
Effect of currency exchange adjustment	1,321	(293)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>18,345</u>	<u>16,532</u>

Cash and cash equivalents consist of:

	<u>As at 31 March</u>	
	<u>2018</u>	<u>2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash on hand	155	155
Cash at bank	17,551	15,811
Fixed deposits	1,748	1,189
	<hr/>	<hr/>
	19,454	17,155
Less: Fixed deposits pledged to banks	(1,109)	(623)
	<hr/>	<hr/>
Total	<u>18,345</u>	<u>16,532</u>

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

	<u>Share capital</u>	<u>Asset revaluation reserve</u>	<u>Employee benefit reserve</u>	<u>Fair value reserve</u>	<u>Translation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Group							
Balance at 1 January 2017 (As previously reported)	100,438	354,185	198	2,075	(12,960)	98,931	542,867
Effect of transition to Singapore Financial Reporting Standards (International) ("SFRS(I)")	-	-	-	-	12,960	(12,960)	-
Balance at 1 January 2017 (Restated)	100,438	354,185	198	2,075	-	85,971	542,867
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	7,571	7,571
Other comprehensive income for the year	-	10,392	(18)	1,632	90	-	12,096
Total	-	10,392	(18)	1,632	90	7,571	19,667
Transactions with owners, recognized directly in equity Final dividends	-	-	-	-	-	(4,200)	(4,200)
Balance at 31 December 2017	100,438	364,577	180	3,707	90	89,342	558,334
Effect on adoption of SFRS(I) 9	-	-	-	(503)	-	503	-
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,529	2,529
Other comprehensive income for the period	-	-	18	(216)	2,806	216	2,824
Total	-	-	18	(216)	2,806	2,745	5,353
Balance at 31 March 2018	100,438	364,577	198	2,988	2,896	92,590	563,687

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

Company	<u>Share capital</u> <u>SS'000</u>	<u>Asset revaluation reserve</u> <u>SS'000</u>	<u>Fair value reserve</u> <u>SS'000</u>	<u>Retained earnings</u> <u>SS'000</u>	<u>Total</u> <u>SS'000</u>
Balance at 1 January 2017	100,438	210,108	465	36,828	347,839
Total comprehensive income for the period					
Profit for the period	-	-	-	1,609	1,609
Other comprehensive income for the period	-	-	183	-	183
Total	-	-	183	1,609	1,792
Balance at 31 March 2017	100,438	210,108	648	38,437	349,631
Balance at 1 January 2018	100,438	213,108	759	38,355	352,660
Effect on adoption of SFRS(I) 9	-	-	(109)	109	-
Total comprehensive income for the period					
Profit for the period	-	-	-	1,490	1,490
Other comprehensive income for the period	-	-	(97)	-	(97)
Total	-	-	(97)	1,490	1,393
Balance at 31 March 2018	100,438	213,108	553	39,954	354,053

1(d)(ii) SHARE CAPITAL

	<u>31 Mar</u> <u>2018</u>	<u>31 Dec</u> <u>2017</u>	<u>31 Mar</u> <u>2018</u>	<u>31 Dec</u> <u>2017</u>
	<u>Number of ordinary shares</u> <u>'000</u>		<u>S\$'000</u>	<u>S\$'000</u>
Issued and paid-up capital:				
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.

1(d)(iv) A STATEMENT SHOWING ALL SALES, TRANSFERERS, CANCELLATION AND /OR USE OF SUBSIDIARY HOLDINGS AS AT THE END OF THE CURRENT FINANCIAL PERIOD REPORTED ON

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

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 same accounting policies and methods of computation have been applied in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2017, except that the Group has adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") and all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018.

On transition to SFRS(I), the Group elected the option to reset the translation reserve to zero on 1 January 2017, and accordingly, has reclassified an amount of S\$12.960 million from translation reserve to the opening retained earnings as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operation will exclude translation differences that arose before the date of transition.

In compliance with SFRS(I) 9, the Group elected the option at initial recognition, to measure equity investments that is not held-for-trading at fair value through other comprehensive income ("FVTOCI"), which only dividend income recognized in profit or loss. The effect on adoption of SFRS(I) 9 has resulted in a decrease of S\$0.503 million and S\$0.109 million respectively in fair value reserve and a corresponding increase in retained earnings of the Group and of the Company as at 1 January 2018.

5 CHANGES IN ACCOUNTING POLICIES

There has been no change in accounting policy which has a material effect on the results and financial position of the Group and of the Company for the current and the previous financial periods except as those stated in paragraph 4.

6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>	
	<u>First Quarter Ended 31 March</u>	
	<u>2018</u>	<u>2017</u>
EPS (based on consolidated profit after taxation)		
- on weighted average number of shares	3.01 cents	3.79 cents
- on a fully diluted basis	3.01 cents	3.79 cents

Basic earnings per share is calculated based on the Group's profit for first quarter 2018 of S\$2.529 million (2017: S\$3.185 million) after income tax expense divided by 84 million (2017: 84 million) ordinary shares.

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

7 NET ASSET VALUE (NAV)

	<u>Group</u>		<u>Company</u>	
	<u>31 Mar 2018</u>	<u>31 Dec 2017</u>	<u>31 Mar 2018</u>	<u>31 Dec 2017</u>
NAV per share based on issued number of shares as at the end of the respective period	S\$6.71	S\$6.65	S\$4.21	S\$4.20

The NAV per share as at 31 March 2018 and 31 December 2017 were calculated based on the number of shares in issue of 84 million ordinary shares.

8 REVIEW OF GROUP PERFORMANCE

The Group's revenue increased by 3.2% to S\$16.689 million for first quarter 2018 as compared to S\$16.166 million for first quarter 2017. This was mainly due to higher room revenue resulted from higher room occupancy and upward adjustment of room rates in some of the Group's hotels.

The Group's profit after income tax decreased by 20.6% for first quarter 2018 as compared to first quarter 2017 mainly due to higher operating expenses, higher finance costs and higher income tax expense.

In the opinion of the Directors, no transaction has arisen between 31 March 2018 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 positive growth prospects in global economy and world tourism, the hospitality industry in Singapore, Malaysia and Thailand will remain highly competitive, the Group expects to meet more challenges in the year ahead. Moving forward, we will continue to monitor our room occupancy and room rates, enhance our customer experiences, upgrade our hotel properties and explore more investment opportunities, in order to maximize our shareholder income and enlarge our market share.

The Group will continue to actively upgrade our investment properties in New Zealand so as to maximize our rental income.

The Group's managed fund portfolio will continue to be affected by the increased protectionism and rising geopolitical tensions.

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; as well as changes in the market values of the investments in our investment portfolio.

11 DIVIDEND

(a) Current Financial Period Reported On

No interim dividend is recommended for the current first quarter ended 31 March 2018.

(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 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.

**14 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 attention of the Board of Directors which may render the unaudited interim financial results for the first quarter ended 31 March 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Sin Chee Mei
Company Secretary

11 May 2018