



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

RESPONSE TO QUERY RAISED BY SINGAPORE EXCHANGE REGULATIONS ON THE COMPANY'S UNAUDITED HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

The board of directors (“**Board**”) of Hotel Royal Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the query raised by the Singapore Exchange Regulations (“**SGX RegCo**”) on 13 August 2020 in relation to the Company’s Unaudited Half-Year Financial Statements for the period ended 30 June 2020 and respond as follows:

SGX REGCO’S QUERY:

“We refer to the Company’s 7 August 2020 announcement on its half yearly results for the financial period ended 30 June 2020. Please clarify if the Company has assessed the value of its hotel and investment properties, as well as its freehold land, for the financial period ended 30 June 2020, and its basis of assessment. Please explain how the Board has addressed its mind to the carrying value of its properties and decided if any material change is required, in view of the current Covid-19 situation.”

COMPANY’S RESPONSE

(1) Hotel Properties

In the Group’s financial statements, freehold land on which hotels are sited are accounted for under the revaluation model and subject to annual revaluation at year-end; while leasehold land and hotel buildings are accounted for under the cost model (cost less accumulated depreciation and impairment). Management had engaged independent property valuers to provide the market values of the Group’s hotel properties as at 31 December 2019.

Leasehold land and hotel buildings:

As at 30 June 2020, the Group’s leasehold land and hotel buildings amounted to \$134 million.

Excess of fair value over carrying amount of the Group’s leasehold hotel land and hotel buildings (carried at cost less accumulated depreciation and impairment) of approximately S\$120 million as at 31 December 2019 is not recognised based on its accounting policy. After taking into consideration of the excess of fair values over the carrying amount of the leasehold hotel land and hotel buildings at 31 December 2019, the Board is of the view that there is no impairment required to the carrying amount of leasehold hotel land and hotel buildings as at 30 June 2020.

Freehold land:

As at 30 June 2020, the Group's freehold land amounted to \$523 million.

As at 31 December 2019, the Group has asset revaluation surplus pertaining to freehold hotel land of S\$424 million that is recorded in capital and reserve (shareholders' equity) and not through the consolidated statement of profit or loss based on its accounting policy. In the event that an impairment is required for the freehold hotel land, such amount will be offset from the asset revaluation surplus of S\$424 million and has no impact on the profit and loss of the Group.

(2) Investment Properties

Investment properties are held on a long-term basis for income and potential capital gains. Investment properties are stated at cost less accumulated depreciation and any accumulated impairment loss.

As at 30 June 2020, the Group's investment properties amounted to \$103 million.

As at 31 December 2019, there is excess of fair values over carrying amount of the Group's investment properties of S\$33 million, which is not recognised based on its accounting policy.

After taking into consideration of the excess of fair values over the carrying amount of the investment properties at 31 December 2019, the Board is of the view that there is no impairment required to the carrying amount of investment properties as at 30 June 2020.

The Board assesses that the total property value of its hotel and investment properties is conservative.

The Board will continue to assess the fair value of its hotels and investment properties on a periodic basis and will engage professional valuers to fair value all its hotel and investment properties as at 31 December 2020 when presenting the Group's full year financial results.

BY ORDER OF THE BOARD

Sin Chee Mei
Company Secretary

17 August 2020