



HOTEL ROYAL LIMITED

(Incorporated in the Republic of Singapore)

(Co. Reg. No. 196800298G)

1 UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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 2015.

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

	Notes	Group		+ / (-) %
		<u>2015</u> S\$'000	<u>2014</u> S\$'000	
Revenue	1	15,331	12,687	20.8
Cost of sales	2	(7,267)	(6,147)	18.2
Gross profit		8,064	6,540	23.3
Other income	3	826	287	>100.0
Distribution costs		(297)	(151)	96.7
Administrative expenses	4	(4,091)	(2,514)	62.7
Other expenses	5	(350)	(95)	>100.0
Finance costs	6	(1,317)	(720)	82.9
Profit before income tax	7	2,835	3,347	(15.3)
Income tax expense	8	(668)	(787)	(15.1)
Profit for the period attributable to owners of the Company		2,167	2,560	(15.4)

**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>2015</u>	<u>2014</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Profit for the period	2,167	2,560	(15.4)
Other Comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale investments:			
Fair value loss recognised in fair value reserve	(319)	(270)	18.1
Transfer from fair value reserve to profit or loss upon disposal of available-for-sale investments	321	(43)	>100.0
Exchange gain on translation of foreign operations	1,080	2,094	(48.4)
Total	<u>1,082</u>	<u>1,781</u>	<u>(39.2)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>3,249</u>	<u>4,341</u>	<u>(25.2)</u>

Notes

1. Revenue

Revenue comprises the following:

	<u>Group</u>		
	<u>First Quarter Ended 31 March</u>		
	<u>2015</u>	<u>2014</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Room revenue	9,503	7,773	22.3
Food and beverage revenue	2,275	1,876	21.3
Spa revenue	256	-	n.m.
Rental income from:			
Investment properties	2,140	1,880	13.8
Other properties	710	728	(2.5)
Car park revenue	301	315	(4.4)
Interest income from outside parties	50	24	>100.0
Dividend income from:			
Quoted equity investments (gross)	39	79	(50.6)
Others	57	12	>100.0
Total	<u>15,331</u>	<u>12,687</u>	<u>20.8</u>

n.m. : not meaningful

Room revenue

Group room revenue for the first quarter 2015 increased by 22.3% as compared to the first quarter 2014. This was mainly due to additional revenue from the newly acquired Burasari Resort offset by lower revenue from Singapore hotels and Malaysia hotels due to slow tourist arrivals and severe competition from more room inventory coming on-stream in Singapore and Malaysia.

Food and beverage revenue

The increase in food and beverage revenue for the first quarter 2015 as compared to the first quarter 2014 was mainly due to additional revenue from the newly acquired Burasari Resort offset by lower revenue from Malaysia hotels.

Rental income from investment properties

The increase in rental income from investment properties for the first quarter 2015 as compared to the first quarter 2014 was mainly due to higher rental income from investment properties in New Zealand subsidiary resulting from higher occupancy.

2. Cost of sales

The increase was mainly due to additional costs from the newly acquired Burasari Resort.

3. Other income

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

The increase in other income for first quarter 2015 as compared to first quarter 2014 was mainly due to higher foreign exchange gain from Thailand subsidiaries upon the strengthening of THB against SGD. Higher gain on disposal of available-for-sale investments and higher fair value gain on held-for-trading investments also contributed to the increase in other income.

4. Administrative expenses

The increase in administrative expenses for first quarter 2015 as compared to first quarter 2014 was mainly due to additional administrative expenses from the newly acquired Burasari Resort in Phuket, Thailand and The Baba House in Melaka, Malaysia which was acquired on 2 July 2014 and 9 January 2015 respectively.

5. Other expenses

Other expenses comprise mainly foreign exchange loss, allowance for doubtful receivables and loss on disposal of property, plant and equipment.

The increase in other expenses for first quarter 2015 as compared to first quarter 2014 was mainly due to higher foreign exchange loss from Malaysia subsidiaries due to the weakening of RM against SGD.

6. Finance costs

The increase in finance cost for first quarter 2015 as compared to first quarter 2014 was mainly due to increase in interest rates and also due to increased Group's borrowings for the acquisition of Burasari Resort and The Baba House.

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>2015</u>	<u>2014</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation	2,150	1,404	53.1
Allowance for doubtful receivables	28	16	75.0
Allowance for doubtful receivables no longer required	(34)	(38)	(10.5)
Fair value gain on held-for-trading investments	(65)	(34)	91.2
Net foreign exchange loss (gain)	65	(56)	>100.0
Gain on disposal of available-for-sale investments	(321)	(43)	>100.0
Loss on disposal of property, plant and equipment	7	-	100.0

Depreciation

The increase in depreciation expense was mainly due to additional depreciation from the newly acquired Burasari Resort and The Baba House.

Fair value gain on held-for-trading investments

The Group made a higher fair value gain on held-for-trading investments in first quarter 2015 mainly due to the strengthening of the stock market conditions.

Net foreign exchange loss (gain)

The net foreign exchange loss for first quarter 2015 was mainly due to the weakening of RM offset by the strengthening of THB against SGD.

Gain on disposal of available-for-sale investments

The higher gain on disposal of available-for-sale investments for first quarter 2015 was mainly due to gain on disposal of quoted investments by the Group amounting to S\$0.215 million.

8. Income tax expense

Income tax expense decreased mainly due to lower tax provision resulting from lower taxable income from New Zealand subsidiary.

1(b)(i) STATEMENTS OF FINANCIAL POSITION

	<u>Notes</u>	<u>The Group</u>		<u>The Company</u>	
		<u>31 Mar 15</u>	<u>31 Dec 14</u>	<u>31 Mar 15</u>	<u>31 Dec 14</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		17,308	17,834	2,988	3,073
Held-for-trading investments		6,391	6,267	804	798
Available-for-sale investments		8,599	8,702	1,741	1,601
Trade receivables		4,893	5,046	1,717	1,653
Other receivables, deposits and prepaid expenses	9	2,036	2,571	239	339
Inventories	10	904	587	192	258
Income tax recoverable		11	7	-	-
Total current assets		<u>40,142</u>	<u>41,014</u>	<u>7,681</u>	<u>7,722</u>
Non-current assets					
Deferred tax assets		112	104	-	-
Subsidiaries		-	-	154,411	142,154
Available-for-sale investments		4,068	4,323	1,175	1,413
Other assets	11	2,020	3,330	-	-
Goodwill	12	3,441	1,829	-	-
Property, plant and equipment	13	591,280	577,840	237,109	237,347
Investment properties		96,260	97,310	24,639	24,832
Total non-current assets		<u>697,181</u>	<u>684,736</u>	<u>417,334</u>	<u>405,746</u>
Total assets		<u>737,323</u>	<u>725,750</u>	<u>425,015</u>	<u>413,468</u>
<u>LIABILITIES AND EQUITY</u>					
Current liabilities					
Bank loans		25,726	26,567	-	-
Trade payables		5,172	4,983	2,037	2,083
Other payables	14	3,220	3,922	3,528	3,728
Current portion of finance lease		33	35	-	-
Income tax payable		2,449	2,376	1,028	1,178
Total current liabilities		<u>36,600</u>	<u>37,883</u>	<u>6,593</u>	<u>6,989</u>
Non-current liabilities					
Amount due to subsidiary companies		-	-	24,548	24,484
Retirement benefit obligations		554	541	-	-
Long-term bank loans	15	137,529	128,192	53,488	43,488
Finance lease		40	45	-	-
Deferred tax liabilities		20,743	20,481	432	432
Other payables		668	668	-	-
Total non-current liabilities		<u>159,534</u>	<u>149,927</u>	<u>78,468</u>	<u>68,404</u>
Capital and reserves					
Share capital		100,438	100,438	100,438	100,438
Asset revaluation reserve		339,497	339,497	206,108	206,108
Employee benefit reserve		171	171	-	-
Fair value reserve		3,230	3,228	601	642
Translation reserve	16	(1,017)	(2,097)	-	-
Retained earnings		98,870	96,703	32,807	30,887
Total equity		<u>541,189</u>	<u>537,940</u>	<u>339,954</u>	<u>338,075</u>
Total liabilities and equity		<u>737,323</u>	<u>725,750</u>	<u>425,015</u>	<u>413,468</u>

Notes

9. Other receivables, deposits and prepaid expenses

The decrease was mainly due to elimination of deposit for acquisition of The Baba House upon completion of the purchase on 9 January 2015.

10. Inventories

The increase was mainly due to additional inventories from the newly acquired Burasari Resort.

11. Other assets

Other assets comprise non-current lease incentives to be amortized over the period of lease, prepayments and long-term deposits.

With the completion of the major upgrading and renovations at Hotel Royal Bangkok @ Chinatown, deposits made for renovations have been included in cost of the hotel resulting in a decrease in deposits. The decrease was also due to reduction of unamortized portion of lease incentives of the New Zealand subsidiary.

12. Goodwill

The increase was mainly due to goodwill of S\$1.521 million arising from acquisition of The Baba House in January 2015.

13. Property, plant and equipment

The increase was mainly due to acquisition of The Baba House in January 2015 and capitalization of renovation costs of hotel building and purchase of plant and equipments in Hotel Royal Bangkok @ Chinatown.

14. Other payables

The decrease was mainly due to less expenses accrued for renovations from Hotel Royal Bangkok @ Chinatown with the completion of its major upgrading and renovations.

15. Long-term bank loans

The increase was mainly due to increased Group's borrowing for acquisition of The Baba House.

16. Translation reserve

The movement in translation reserve from S\$2.097 million as at 31 December 2014 to S\$1.017 million as at 31 March 2015 was due mainly to gain on translating the net assets of the Thailand subsidiaries into SGD as the THB had strengthened against SGD. This gain was reduced by loss on translating the net assets of the Malaysia subsidiary into SGD as the RM had weakened against the SGD as at 31 March 2015.

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 2015</u>		<u>As at 31 Dec 2014</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
25,726	-	26,567	-

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

<u>As at 31 Mar 2015</u>		<u>As at 31 Dec 2014</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
137,529	-	128,192	-

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 some 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

	<u>2015</u>	<u>2014</u>
	<u>SS'000</u>	<u>SS'000</u>
Operating activities:		
Profit before income tax	2,835	3,347
Adjustments for:		
Depreciation expense	2,150	1,404
Dividend income	(39)	(79)
Interest income	(50)	(24)
Interest expense	1,317	720
Gain on disposal of available-for-sale investments	(321)	(43)
Fair value gain on held-for-trading investments	(65)	(34)
Loss on disposal of property, plant and equipment	7	-
Allowance for doubtful receivables	28	16
Allowance for doubtful receivables no longer required	(34)	(38)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	5,828	5,269
Available-for-sale investments	(107)	2
Held-for-trading investments	(59)	(92)
Trade and other receivables	2,003	490
Inventories	(317)	(11)
Trade and other payables	(499)	(391)
	<hr/>	<hr/>
Cash generated from operations	6,849	5,267
Interest paid	(1,317)	(720)
Interest received	50	24
Dividend received	39	79
Income tax paid – net of refund	(288)	(339)
	<hr/>	<hr/>
Net cash from operating activities	5,333	4,311
Investing activities:		
Purchase of available-for-sale investments	(27)	(1,474)
Proceed from disposal of available-for-sale investments	815	1,305
Purchase of property, plant and equipment	(6,101)	(2,681)
Additions to investment properties	(817)	(491)
Proceeds from disposal of property, plant and equipment	1	-
Acquisition of The Baba House	(9,943)	-
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	(16,072)	(9,592)

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

	Group	
	<u>2015</u>	<u>2014</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Financing activities:		
Proceeds from bank loans	12,591	10,026
Repayment of bank loans	(5,788)	(7,556)
Repayment of finance lease	(8)	-
	<hr/>	<hr/>
Net cash from financing activities	6,795	2,470
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(3,944)	(2,811)
Cash and cash equivalents at beginning of period	17,834	20,100
Effect of currency exchange adjustment	3,418	(1,329)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>17,308</u>	<u>15,960</u>

	As at 31 March	
	<u>2015</u>	<u>2014</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash and cash equivalents consist of:		
Cash on hand	131	132
Cash at bank	15,646	13,986
Fixed deposits	1,531	1,842
	<hr/>	<hr/>
Total	<u>17,308</u>	<u>15,960</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
The Group							
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
Balance at 31 March 2014	100,438	317,502	171	2,447	(627)	92,285	512,216
Balance at 1 January 2015	100,438	339,497	171	3,228	(2,097)	96,703	537,940
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,167	2,167
Other comprehensive income for the period	-	-	-	2	1,080	-	1,082
Total	-	-	-	2	1,080	2,167	3,249
Balance at 31 March 2015	100,438	339,497	171	3,230	(1,017)	98,870	541,189

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
The Company					
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
Balance at 31 March 2014	100,438	206,108	637	27,965	335,148
Balance at 1 January 2015	100,438	206,108	642	30,887	338,075
Total comprehensive income for the period					
Profit for the period	-	-	-	1,920	1,920
Other comprehensive income for the period	-	-	(41)	-	(41)
Total	-	-	(41)	1,920	1,879
Balance at 31 March 2015	100,438	206,108	601	32,807	339,954

1(d)(ii) SHARE CAPITAL

	<u>31 Mar</u> <u>2015</u>	<u>31 Dec</u> <u>2014</u>	<u>31 Mar</u> <u>2015</u>	<u>31 Dec 2014</u>
	<u>Number of ordinary shares</u> <u>'000</u>		<u>\$'000</u>	<u>\$'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 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 2014. Changes in financing reporting standards effective from 1 January 2015 have no significant effect on the Group's accounting policies.

5 CHANGES IN ACCOUNTING POLICIES

Not applicable.

6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>	
	<u>First Quarter Ended 31 March</u>	
	<u>2015</u>	<u>2014</u>
EPS (based on consolidated profit after income tax expense)		
- on weighted average number of shares	2.58 cents	3.05 cents
- on a fully diluted basis	2.58 cents	3.05 cents

Basic earnings per share is calculated on the Group's profit of S\$2.167 million (2014: S\$2.560 million) after income tax expense divided by 84 million (2014: 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 Mar 2015</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>31 Dec 2014</u>
NAV per share based on issued number of shares as at the end of the respective period	S\$6.44	S\$6.40	S\$4.05	S\$4.02

The NAV per share as at 31 March 2015 and 31 December 2014 were calculated on the net assets of S\$541.189 million (2014: S\$537.940 million) divided by 84 million (2014: 84 million) ordinary shares.

8 REVIEW OF GROUP PERFORMANCE

The Group's revenue increased by about 20.8% to S\$15.331 million in first quarter 2015 from S\$12.687 million in first quarter 2014 mainly due to additional room revenue and food and beverage revenue from the newly acquired Burasari Resort and higher rental income from investment properties in New Zealand subsidiary.

The Group made a profit after income tax expense of S\$2.167 million in first quarter 2015 as compared to S\$2.560 million in 2014. Adjusting for one-off expenses relating to acquisition of The Baba House in January 2015, the adjusted profit after income tax for first quarter 2015 is as follows:

	<u>2015</u> <u>S\$'000</u>	<u>2014</u> <u>S\$'000</u>	<u>+/-</u> <u>S\$'000</u>	<u>+/-</u> <u>%</u>
Profit after income tax	2,167	2,560	(393)	(15.4)
Adjusted for:				
One-off expenses relating to the acquisition of The Baba House:				
- Stamp duty expense	284	-	284	n.m.
- Legal fee expense	47	-	47	n.m.
Adjusted profit after income tax	<u>2,498</u>	<u>2,560</u>	<u>(62)</u>	<u>(2.4)</u>

The 2.4% decrease in adjusted profit after income tax for first quarter 2015 as compared to 2014 was mainly due to lower room sales from both Singapore hotels and Malaysia hotels with slower tourist arrivals and severe competition from more room inventory coming on-stream in Singapore and Malaysia.

In the opinion of the Directors, no transaction has arisen between 31 March 2015 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

The tourist arrivals to Singapore had decreased due to the recent aviation incidents in the region. The Group expects more challenges in the year ahead. The Group will continue to focus on improving service quality and enhancing our value proposition in order to retain existing customers and widen our customer base.

With the slow economic recovery in New Zealand, the Group will continue to actively 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 foreign exchange fluctuations such as NZD, USD, RM and THB against the SGD as well as changes 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 2015.

(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 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Sharon Yeoh
Secretary

14 May 2015