



HOTEL ROYAL LIMITED

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

THE PROPOSED ACQUISITION OF ROYALE CHULAN BUKIT BINTANG HOTEL AND ITS BUSINESS IN KUALA LUMPUR, MALAYSIA

The Board of Directors (the “**Board**”) of Hotel Royal Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 15 February 2019 made an offer (the “**Offer**”) to Boustead Hotels & Resorts Sdn Bhd (the “**Vendor**”) to acquire Royale Chulan Bukit Bintang Hotel and its business (the “**Hotel**”) in Kuala Lumpur, Malaysia for a total purchase consideration of RM197,000,000 (the “**Consideration**”) (the “**Proposed Acquisition**”). The Vendor had accepted the Offer on 19 February 2019 and the notification of the acceptance was made to the Company on the same day.

The Vendor and the Company or such related or affiliated entity as nominated by the Company (the “**Purchaser**”) will execute a Sale and Purchase Agreement for the Proposed Acquisition within the Exclusivity Period (as defined below) (the “**Agreement**”) pursuant to the Offer. The Board is of the view that the Proposed Acquisition is in, or in connection with, the ordinary course of the Group’s business.

1. INFORMATION ON ROYALE CHULAN BUKIT BINTANG HOTEL AND ITS BUSINESS IN KUALA LUMPUR, MALAYSIA

The Hotel is situated along Jalan Bukit Bintang, Kuala Lumpur, Malaysia, the established entertainment and shopping district within Kuala Lumpur’s Golden Triangle or the Orchard Road of Kuala Lumpur.

The Hotel boasts a prominent street frontage with high visibility along the busy Jalan Bukit Bintang. It is within a 10-minute drive to major commercial precincts such as Kuala Lumpur City Centre, KL Sentral and a 45-minute drive from Kuala Lumpur International Airport. Other prominent developments in the immediate vicinity include Pavilion Kuala Lumpur, Berjaya Times Square, Starhill Gallery, Fahrenheit 88 and the famous Jalan Alor food street.

The Hotel is a 4-star property with 400 suites and rooms that sits on freehold land of about 3,189 square metres. Its facilities, comprising of a swimming pool, fitness centre, restaurant, bar, business centre, executive lounge, ballrooms and meeting rooms, are located in a 20-storey tower and a 13-storey twin tower.

2. CONSIDERATION

Subject to the terms and conditions of the Agreement, the Consideration for the proposed acquisition of the Hotel and its business shall be Ringgit Malaysia One Hundred and Ninety-Seven Million (RM197,000,000), an all-in amount which will include therein all taxes that are payable in respect of the Proposed Acquisition (with exception of stamp duty which will be borne by the Purchaser). Any new tax due to the introduction of new laws or change of existing laws, shall be borne by the party who is bound to pay it under such law.

The Consideration was determined based on arm's length negotiations between the Purchaser and the Vendor and arrived at on a willing-buyer and willing-seller basis. In arriving at the Consideration, the parties took into account, amongst others, the prevailing market conditions in Malaysia, location, size and state of maintenance of the Hotel.

An amount of RM3,940,000, representing 2% of the Consideration, has been paid by the Company as earnest deposit (the "**Earnest Deposit**") upon the acceptance of the Offer by the Vendor and another 8% of the Consideration is payable upon signing of the Agreement. In the event that the Agreement is not executed for any reason whatsoever, the Earnest Deposit shall be refunded to the Company within 14 days. The amount of RM15,760,000, representing 8% of the Consideration, is refundable by the Vendor in the event that any of the conditions precedent as set out in paragraph 3 below are not satisfied (subject to the payment of 3% of the Consideration to the Inland Revenue Board for Real Property Gains Tax on behalf of the Vendor).

The balance Consideration, representing 90% of the Consideration, is payable on the date of the Completion.

3. **CONDITIONS PRECEDENT**

Subject to the terms and conditions of the final agreed Agreement, the completion of the Proposed Acquisition is conditional upon the following conditions:

- (a) the completion of an operational, structural, mechanical and electrical, financial and legal due diligence exercise on the Hotel and land, and the results of such due diligence exercise being reasonably satisfactory to the Purchaser;
- (b) the approval of / no objection letter from the Economic Planning Unit in the Prime Minister's Department, Malaysia in respect of the sale of the land on which the Hotel is situated (the "**Land**") to the Purchaser being obtained, if required;
- (c) the approval of the State Authority consenting to the sale of the Land by the Vendor to the Purchaser being obtained, if required;
- (d) the completion of all conditions and listing requirements imposed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), including but not limited to the approval of the shareholders of the Company, if required;
- (e) such regulatory approvals, permits or licences as may be required for the completion of the Proposed Acquisition (including but not limited to such approvals, permits or licences required to carry out the business of the Hotel) being obtained; and
- (f) the execution of deed(s) of novation of contracts deemed material to the Purchaser relating to the Hotel, which shall be identified after the completion of the due diligence on the Hotel and Land.

4. **EXCLUSIVITY PERIOD**

The Purchaser, its representatives, agents and advisors shall be granted an exclusive period of one month commencing from the date of acceptance of the Offer (the "**Exclusivity Period**") to carry out operational, technical, financial, tax and legal due diligence on the Hotel and to finalise the Agreement.

During the Exclusivity Period, the Vendor shall refrain from, directly or indirectly, dealing with, soliciting, negotiating, discussing or responding to (other than to reject) any enquiry, discussion, proposal, arrangement or offer with respect to or in connection with the sale of the Hotel.

5. COMPLETION

Completion of the Proposed Acquisition shall take place on the date as specified in the Agreement (the “**Completion**”).

6. USE OF NAME, TRADEMARKS AND MANAGEMENT PERSONNEL

The Purchaser may make use of the Hotel's name, trademarks and management personnel for a transitional period of not more than six months commencing from the date of Completion, subject to the terms and conditions to be mutually agreed upon by both the Vendor and Purchaser.

7. LEGAL COSTS AND EXPENSES

Each party shall bear its own costs and expenses incurred in the due diligence exercise relating to the Hotel and the Land, and in the drafting, negotiation and finalisation of the Agreement.

The Purchaser shall be responsible for the costs and expenses relating to the procurement of all relevant approvals from governmental authorities for the acquisition of the Land and other costs and expenses relating to the transfer of the Land to the Purchaser.

8. RATIONALE

The Group has embarked on initiatives to accelerate its growth for its hotel and property holding businesses through acquisitions. The Company is of the view that the Proposed Acquisition is in the best interests of the Company and the Group as the Proposed Acquisition is an opportunity for the Group to expand its hotel operations in the Kuala Lumpur. Based on the Consideration of RM197,000,000 for the Hotel, the cost per guest room of about RM492,500 is reasonable.

The Group also owns Hotel Royal Kuala Lumpur, a 285-room four-star hotel in the Bukit Bintang area in Kuala Lumpur, Malaysia. With the Proposed Acquisition, it will add synergy to the Group's hotel operations in Kuala Lumpur in terms of sales referrals, joint marketing and management time.

In addition, the Directors are of the view that the Hotel being located in one of the prime tourists and hotel belts of Kuala Lumpur's City Centre offers potential capital appreciation in the future.

9. LISTING MANUAL COMPUTATION

The relative figures computed based on the Group's latest announced unaudited consolidated results for the nine months ended 30 September 2018 on the bases set out in Rule 1006 are as follows:

	Bases set out in Rule 1006	Relative Figure (%)
(a)	Net asset value of assets to be disposed of compared to group's net asset value. This is not applicable to an acquisition of assets.	Not Applicable
(b)	Net profits ⁽¹⁾ attributable to the assets acquired compared with the group's net profits.	(16.00%) ⁽²⁾
(c)	Aggregate value of the consideration given compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares.	20.48 ⁽³⁾
(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Not Applicable

Notes:

- (1) Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Determined by dividing the net loss attributable of approximately S\$1,218,000 arising from the Proposed Acquisition by the Group's latest announced unaudited consolidated net profit of S\$7,614,000 for the period from 1 January 2018 to 30 September 2018.
- (3) Based on the Consideration of RM197,000,000 (equivalent to about S\$65,448,505 based on an exchange rate of about S\$1.00 to RM3.01) and the market capitalisation of the Company of S\$319,536,000 as at 18 February 2019. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue by the weighted average price of S\$3.17 per share on 18 February 2019 (being the last full market day on which the shares were traded prior to the date of acceptance of the Offer).

10. VALUE OF THE HOTEL

As at the date of this announcement, the audited net book value as at 31 December 2017 and latest indicative open market value of the Hotel is RM91,700,000 (approximately S\$30,465,116) and RM197,000,000 (approximately S\$65,448,505) respectively. The excess of the Consideration over the audited net book value of the Hotel is RM105,300,000 (approximately S\$34,983,389).

The Vendor accounted for the Hotel at cost less accumulated depreciation and impairment losses, and as such, the audited net book value of RM91,700,000 may not reflect its latest indicative open market value.

The Company is undertaking a formal valuation of the Hotel during the Exclusivity Period.

11. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The illustrative financial effects on the Group before and after the Proposed Acquisition are summarised below and have been prepared using the latest announced unaudited accounts of the Group prepared on a consolidated basis for the financial period from 1 January 2018 to 30 September 2018, based on, *inter alia*, the following assumptions:

- (a) for the purposes of the effect on the Earnings Per Share, the Proposed Acquisition had been completed on 1 January 2018, being the start of the latest announced financial period of the Group; and
- (b) for the purposes of the effect on Net Tangible Assets Per Share and Gearing, the Proposed Acquisition had been completed on 30 September 2018, being the date to which the latest announced unaudited accounts of the Group were made up.

Please note that the proforma financial effects are purely for illustrative purposes only and are not indicative of the future actual financial position and results of the Group after the Proposed Acquisition.

(i) Earnings Per Share (“EPS”)

The effect of the Proposed Acquisition on the Group’s EPS for the financial period from 1 January 2018 to 30 September 2018 would have been as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Consolidated net profit (S\$'000)	7,614	6,396
Weighted average number of shares ('000)	89,496	89,496
EPS (cents)	8.51	7.15

(ii) Net Tangible Assets (“NTA”)

The effect of the Proposed Acquisition on the Group’s NTA for the financial period from 1 January 2018 to 30 September 2018 would have been as follows:

	As at 30 September 2018	Adjusted for the Proposed Acquisition
NTA (\$'000)	608,083	608,083
Number of Shares ('000)	100,800	100,800
NTA per Share (\$)	6.03	6.03

(iii) Gearing

The effect of the Proposed Acquisition on the gearing of the Group as at 30 September 2018:

	Before the Proposed Acquisition	After the Proposed Acquisition
Total borrowings (S\$'000) (A)	105,865	164,769
Shareholders' equity (S\$'000) (B)	608,083	608,083
Gearing (A)/(B)	0.17	0.27

Note:

For the purposes of the above calculations, "Gearing" means the ratio of total borrowings to shareholders' funds. "Total borrowings" means the aggregate borrowings from banks and financial institutions including hire purchase financing and "shareholders' funds" means the aggregate amount of share capital, asset revaluation reserve, fair value reserve, translation reserve and retained earnings.

(iv) Working Capital

	As at 30 September 2018 S\$'000
Group's total working capital before the Proposed Acquisition	28,413
Less: Estimated working capital utilised for the Proposed Acquisition	6,545
Group's total working capital after the Proposed Acquisition	21,868

12. FUNDING

The Proposed Acquisition will be financed by internal resources and bank borrowings.

13. MAJOR TRANSACTION

- 13.1 This announcement is made pursuant to Chapter 10 of the Listing Manual as the size of the transaction exceeds 20% when computed on the bases provided in Rule 1006 of the Listing Manual.

13.2 Confirmations Sought Pursuant to Rules 1007(1) and 1014(2) of the Listing Manual

As the % figure for basis (c) in item 9 above is slightly above the 20% threshold whereby shareholders' approval in an Extraordinary General Meeting is required, and the Company is of the view that the Proposed Acquisition is in its ordinary course of business and does not change its risk profile, it intends to submit an application to the SGX-ST to confirm that, pursuant to sub-note 3 of Practice Note 10.1 of the Listing Manual, shareholders' approval is not required under Rule 1014 of the Listing Manual.

The Company will also seek consultation with the SGX-ST in accordance with Rule 1007(1) of the Listing Manual on whether shareholders' approval is required for the Proposed Acquisition notwithstanding the negative relative figure calculated for Rule 1006(b) of the Listing Manual.

14. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or any of the controlling shareholders of the Company have any interest, directly or indirectly, in the Proposed Acquisition, save for their respective shareholdings in the Company.

15. SERVICE CONTRACTS

There are no persons who are proposed to be appointed to the Board in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

16. DOCUMENTS FOR INSPECTION

A copy of the letter of offer from the Company dated 15 February 2019 and the letter of acceptance from the Vendor dated 19 February 2019 is available for inspection during normal business hours at the Company's registered office at 36 Newton Road, Singapore 307964 for three months from the date of this announcement.

17. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

18. CAUTIONARY STATEMENT

Shareholders ought to exercise caution when trading or dealing in their shares of the Company. Shareholders and potential investors should seek advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the actions they should take. The Company will make further announcements upon the execution of the Agreement and/or when there are material developments in respect of the Proposed Acquisition.

By Order of the Board

Dr Lee Keng Thon
Chairman

19 February 2019