



HOTEL ROYAL LIMITED
(Company Registration Number: 196800298G)
(Incorporated in the Republic of Singapore)

**THE PROPOSED ACQUISITION OF THE DORSETT PENANG HOTEL
AND PENANG PLAZA (UNSOLD RETAIL & OFFICE LOTS
TOGETHER WITH CAR PARKING BAYS) THROUGH THE ACQUISITION
OF THE ENTIRE SHARE CAPITAL OF FABER KOMPLEKS SDN. BHD.**

The Board of Directors of Hotel Royal Limited (the “Company”) wishes to announce that the Company’s wholly owned subsidiary, Prestige Properties Sdn. Bhd. (“Prestige” or the “Purchaser”) has entered into a conditional Sale and Purchase Agreement (the “Agreement”) to acquire the Dorsett Penang Hotel (the “Hotel”) and the Penang Plaza (unsold retail & office lots together with car parking bays) (the “Penang Plaza”) (collectively known as the “Properties”) through the acquisition of the entire share capital of Faber Kompleks Sdn. Bhd. (“Faber Kompleks”), a wholly owned subsidiary of Jeram Bintang Sdn. Bhd. (the “Vendor”). Upon the successful completion of the Agreement, Faber Kompleks will be a wholly owned subsidiary of Prestige (the “Proposed Acquisition”).

**1. INFORMATION ON FABER KOMPLEKS SDN. BHD., DORSETT PENANG HOTEL
AND PENANG PLAZA**

1.1 Information On Faber Kompleks

Faber Kompleks is a private limited liability company, incorporated and domiciled in Malaysia. Its principal place of business is in Penang. The Vendor, Jeram Bintang Sdn. Bhd., a company incorporated in Malaysia is the holding and ultimate holding company of Faber Kompleks.

The principal activity of Faber Kompleks is to participate in all aspects of the hotel businesses and is the owner of a luxury class hotel, known as Dorsett Penang Hotel (formerly known as Sheraton Penang).

Faber Kompleks has an authorised, issued and paid up share capital of Ringgit Malaysia Fifteen Million (RM15,000,000/-) divided into 15 million ordinary shares of Ringgit Malaysia One (RM1/-) each (the “Sale Shares”)

Faber Kompleks is the registered proprietor of all the land that the Dorsett Penang Hotel and Penang Plaza are erected on. The interest in all unsold units in Penang Plaza will be relinquished by Faber Plaza Sdn. Bhd. upon completion of the Proposed Acquisition.

1.2 Information On Dorsett Penang Hotel (the “Hotel”)

The Hotel is situated at 3 Jalan Larut, Georgetown, Penang, Malaysia and sits on freehold land totaling 37,620 square feet with a total gross built up area of approximately 307,509 square feet.

The Hotel is 21-storey high with one basement car park, and has 279 suites, apartments and rooms. It also has 4 food and beverages outlets, together with a ballroom and meeting facilities, swimming pool, gymnasium, office suites and 226 car parking bays.

The net book value of the Hotel as at 31 December 2007 is about RM41.8 million.

1.3 Information On Penang Plaza

Penang Plaza, which is adjacent to the Hotel, is situated at 126, Jalan Burma, Georgetown, Penang, Malaysia. Its freehold land is approximately 59,180 square feet in area.

Penang Plaza is a 10-storey commercial complex, comprising 3 levels of podium accommodating retail units and 7 levels of tower accommodating 4 levels of office units and 3 levels of building mechanical and engineering areas with a total gross floor area of about 138,222 square feet and a total nett lettable area of 91,495 square feet. The nett lettable area consists of 62,286 square feet of retail space (unsold retail space of 59,514 square feet) and another 4-storey of office space, on top of the shopping podium, with a total nett lettable area of 29,209 square feet (unsold office space of 18,290 square feet). It has 88 car parking bays.

The occupancy rate of Penang Plaza is around the mid sixty per cent. Prestige will take over existing tenancies for all unsold and occupied retail and office units.

The net book value of Penang Plaza as at 31 December 2007 is about RM18.9 million.

2. AGREEMENT TO SELL AND PURCHASE

Subject to the terms and conditions of the Agreement, the Vendor has agreed to sell and the Purchaser shall purchase the Sale Shares for the nominal consideration of RM1/- and the Purchaser has agreed to settle the inter-company debt to the extent of Ringgit Malaysia Fifty Six Million Only (RM56,000,000/-) to the Vendor in accordance with item 3 herein and the Vendor shall transfer by novation the remainder debt to the Purchaser, in each case free from all encumbrances whatsoever and with all rights attaching thereto upon completion

3. CONSIDERATION AND MODE OF PAYMENT

3.1 Agreed Consideration

3.1.1 The consideration of RM1/- (as stated in item 2 above) payable by the Purchaser to the Vendor for the Sale Shares shall be the Agreed Consideration, which shall be paid by the Purchaser upon settlement of the Agreed Repayment (please refer to item 3.2 below) on completion date (please refer to item 6 below).

3.1.2 The Vendor acknowledges that the payment as set out in item 3.1 as Agreed Consideration shall be accepted as full and final settlement of the Agreed Consideration.

- 3.1.3 The parties hereby acknowledge and confirm that the Agreed Consideration has been arrived at between them on the basis of a willing buyer and a willing seller.

3.2 Agreed Repayment

- 3.2.1 The inter-company debt between the Vendor and Faber Kompleks shall be partially repaid to the extent of an amount equal to RM56,000,000/- by the Purchaser in accordance with the provisions of the Agreement.
- 3.2.2 Prepayment amounting to RM11,200,000/- (20% of the Agreed Repayment of RM56,000,000/-) has been paid by the Purchaser to the Vendor's Solicitors as stakeholders contemporaneously with the execution of the Agreement.
- 3.2.3 The balance 80% of the Agreed Repayment of RM56,000,000/- amounting to RM44,800,000/- shall be paid by the Purchaser on completion date.

4. CONDITIONS PRECEDENT

- 4.1 The sale and purchase of the Sale Shares pursuant to the Agreement is conditional upon the following approvals being received by the Purchaser:
- 4.1.1 the approval of the board of directors and shareholders in general meeting of the Purchaser for the purchase of the Sale Shares subject to and upon the terms and conditions set out herein;
- 4.1.2 the approval of the Foreign Investment Committee being obtained by the Purchaser for the sale and purchase of the Sale Shares subject to and upon the terms and conditions set out herein and the transfer by way of novation of the remainder debt pursuant to the novation agreement (if required);
- 4.1.3 the approval of Bank Negara Malaysia (if required) being obtained by the Purchaser for the sale and purchase of the Sale Shares and the repayment (on behalf of Faber Kompleks) of the part of the inter-company debt to the extent of the Agreed Repayment subject to and upon the terms and conditions set out herein and the transfer by way of novation of the remainder debt pursuant to the novation agreement; and
- 4.1.4 the approval of any other appropriate authorities (if required) for the sale and purchase of the Sale Shares by the parties and the repayment (on behalf of Faber Kompleks) of the part of the inter-company debt to the extent of the Agreed Repayment subject to and upon the terms and conditions set out herein and the transfer by way of novation of the remainder debt pursuant to the novation agreement (if required).
- 4.2 The condition period is set at three months from the date of the Agreement.

5. WARRANTY AND UNDERTAKING NOT TO RESELL

- 5.1 Prestige warrants and undertakes to maintain 100% legal and beneficial ownership of Faber Kompleks and ensure that Faber Kompleks shall maintain 100% legal and beneficial ownership of the the Properties for a period of five (5) years upon completion of the Proposed Acquisition, failing which Prestige shall indemnify the Vendor in full the difference between the consideration received or deemed to have

received from the resale and Ringgit Malaysia Fifty Six Million (RM56,000,000/-) subject always however to any need on Prestige part to comply with any requirement as may be imposed by the Foreign Investment Committee and/or any other government body in Malaysia in relation to the equity structure of Faber Kompleks which if complied by Faber Kompleks shall not in anyway howsoever render Prestige liable to the Vendor in respect of the said undertaking. Prestige will not wind up Faber Kompleks prior to 31 December 2013.

- 5.2 The Company warrants and undertakes to maintain its present legal and beneficial ownership of the share capital of Prestige for a period of five (5) years calculated from the date of the Agreement subject always however to any need on the Company's part to comply with any requirement as may be imposed by the Foreign Investment Committee and/or any other government body in Malaysia in relation to the equity structure of Prestige which if complied by the Company shall not in anyway howsoever render us liable to the Vendor in respect of the said undertaking. In the event the Company breaches this undertaking the Company hereby agree to fully indemnify the Vendor and pay the Vendor the amount of Ringgit Malaysia Nineteen (19) Million as agreed liquidated damages being the difference between the minimum disposal price ascribed to the Properties as set out in the trust deed dated 17th September 2004 made between Vendor and Universal Trustee (Malaysia) Berhad, and the Agreed Repayment as defined in the Proposed Acquisition.

6. COMPLETION

Under the agreement, Completion is agreed between the Vendor and Prestige as follows:

- 6.1 if the last of the conditions precedent is fulfilled on or before the 15th day of a particular month then the completion date shall be on the last business day of that particular month; or
- 6.2 if the last of the conditions precedent is fulfilled subsequent to the 15th day of a particular month then the completion date shall be on the last business day of the following month.

7. RATIONALE

The Directors of the Company views the proposed acquisition of the Hotel as an opportunity to expand its hotel operations in the region. Based on the approximate purchase price of RM37,757,575.50 for the Hotel, the cost per guest room of about RM135,332/- is of good value.

Penang Plaza, being adjacent to Hotel, is also acquired for its strategic position in relation to the Hotel. With the required renovations of Penang Plaza, Prestige aims to unlock the hidden potential of Penang Plaza.

Based on the approximate purchase price of RM18,242,424.50 for Penang Plaza, the price of RM132/- per square foot of gross floor area is attractive and offer possible long term capital appreciation if we manage to upgrade Penang Plaza and lease out the vacant space and existing space rented out at better rental rate.

8. FINANCIAL EFFECTS

8.1 Purely for illustrative purposes only, the pro forma financial effects of the Proposed Acquisition summarised below have been prepared using the audited accounts of the Group prepared on a consolidated basis for FY2007 and based on, inter alia, the following assumptions:-

- (i) For the purposes of the effect on the Earning Per Share ("EPS"), the Proposed Acquisition had been completed on 1 January 2007, being the start of the latest audited financial year of the Group; and
- (ii) For the purposes of the effect on the Net Tangible Assets ("NTA") per Share and gearing, the Proposed Acquisition had been completed on 31 December 2007, being the date to which the latest full-year audited accounts of the Group were made up.

8.2 *Earning Per Share*

The effect of the Proposed Acquisition on the Group's EPS for FY2007 would have been as follows:

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|-----------------------------|---------------------------------|--------------------------------|
| Profit after tax (\$'000) | 37,727 | 33,948 |
| Number of Shares ('000) | 60,000 | 60,000 |
| Earnings per Shares (cents) | 62.88 | 56.58 |

8.3 *Net Tangible Assets*

The effect of the Proposed Acquisition on the Group's consolidated NTA as at 31 December 2007 would have been as follows:

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|-------------------------|---------------------------------|--------------------------------|
| NTA (\$'000) | 248,279 | 248,966 |
| Number of Shares ('000) | 60,000 | 60,000 |
| NTA per Share(\$) | 4.14 | 4.15 |

8.4 Gearing

The effect of the Proposed Acquisition on the gearing of the Group as at 31 December 2007 would have been as follows:

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|------------------------------|---------------------------------|--------------------------------|
| Total borrowings (\$'000) | 46,052 | 70,413 |
| Shareholders' funds (\$'000) | 248,279 | 248,279 |
| Gearing (times) | 0.19 | 0.28 |

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 reserves, fair value reserve, translation reserves and retaining earnings.

9. FUNDING

The Proposed Acquisition will be entirely financed by bank borrowings.

10. DISCLOSEABLE TRANSACTION

This announcement is made pursuant to Chapter 10 of the Listing Manual as the size of the transaction exceeds 5% but does not exceed 20% when computed on the bases provided in Rule 1006 of the Listing Manual.

11. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or any of the controlling shareholders of the Company has any interest, directly or indirectly, in the Proposed Acquisition.

12. DOCUMENT FOR INSPECTION

A copy of the Sale and Purchase Agreement is available for inspection during normal business hours at the Company's registered office at 36 Newton Road, Singapore 307964 for 3 months from the date of this announcement.

By Order of the Board

Dr Lee Keng Thon
Chairman

17 July 2008