



# **HOTEL ROYAL LIMITED**

(Incorporated in the Republic of Singapore)

(Co. Reg. No. 196800298G)

## **1 UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

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 2012.

### **1(a) GROUP PROFIT AND LOSS STATEMENT for the first quarter ended 31 March**

		<u>Group</u>		
	<u>Notes</u>	<u>2012</u> <u>S\$'000</u>	<u>2011</u> <u>S\$'000</u>	<u>+ / (-)</u> <u>%</u>
Revenue	1	12,692	11,402	11.3
Cost of sales	2	(6,274)	(5,765)	8.8
Gross profit		6,418	5,637	13.9
Other income	3	274	257	6.6
Distribution costs		(127)	(128)	(0.8)
Administrative expenses	4	(2,452)	(2,189)	12.0
Other expenses	5	(75)	(215)	(65.1)
Finance cost	6	(819)	(550)	48.9
Profit before income tax	7	3,219	2,812	14.5
Income tax expense	8	(816)	(302)	170.2
Profit for the period attributable to owners of the Company		2,403	2,510	(4.3)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the first quarter ended 31 March**

	<u>Group</u>	
	<u>First Quarter Ended 31 March</u>	
	<u>2012</u>	<u>2011</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Profit for the period	2,403	2,510
Net fair value changes on available-for sale financial assets	871	(186)
Exchange differences arising on consolidation	1,198	(1,409)
Other comprehensive income for the period	2,069	(1,595)
Total comprehensive income for the period attributable to owners of the Company	4,472	915

**Notes**

**1. Revenue**

Revenue comprises the following:

	<u>Group</u>		
	<u>First Quarter Ended 31 March</u>		
	<u>2012</u>	<u>2011</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Room revenue	8,064	7,368	9.4
Food and beverage revenue	1,945	1,577	23.3
Rental income from:			
Investment properties	1,464	1,424	2.8
Other properties	750	621	20.8
Car park revenue	340	299	13.7
Interest income from outside parties	28	16	75.0
Dividend income from			
Quoted equity investments (gross)	18	14	28.6
Unquoted equity investments (gross)	-	10	n.m.
Others	83	73	13.7
<b>Total</b>	<b>12,692</b>	<b>11,402</b>	<b>11.3</b>

***Room revenue***

Group room revenue for the first quarter 2012 increased by 9.4% as compared to the corresponding period in 2011 mainly due to upward adjustment of room rates of the Singapore hotels and additional contribution from the newly acquired White Orchid Hotel in Bangkok in October 2011. The increase had been offset by lower contribution from the Malaysia hotels.

### ***Food and beverage revenue***

The increase in food and beverage revenue for first quarter 2012 as compared to the corresponding period in 2011 was mainly due to additional contribution from the newly acquired White Orchid Hotel in October 2011 and higher breakfast sales contributed by one of the subsidiaries.

### ***Rental income from other properties***

The increase in rental income from other properties for first quarter 2012 as compared to the corresponding period in 2011 was mainly due to higher rental contributed by a major tenant of the Company and additional contribution from the newly acquired White Orchid Hotel in October 2011.

## **2. Cost of sales**

The operation of the newly acquired White Orchid Hotel contributed to the higher cost of sales for first quarter 2012 as compared to the corresponding period in 2011.

## **3. Other income**

Other income comprises mainly 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 2012 as compared to the corresponding period in 2011 was mainly due to higher fair value gain adjustment on held-for-trading investment. The increase has been reduced by lower gain on disposal of available-for-sale investment in 2012 as compared to the corresponding period in 2011.

## **4. Administrative expenses**

The increase in administrative expenses for first quarter 2012 as compared to the corresponding period in 2011 was mainly due to the inclusion of newly acquired White Orchid Hotel.

## **5. Other expenses**

Other expenses comprise mainly foreign exchange loss and allowance for doubtful debts.

The decrease in other expenses for first quarter 2012 as compared to the corresponding period in 2011 was mainly due to lower foreign exchange loss and allowance for doubtful debts.

## **6. Finance cost**

The increase in finance cost for first quarter 2012 as compared to the corresponding period in 2011 was mainly due to the drawdown of a 7 year term loan of S\$14.92 million (THB 364 million) in October 2011 by the Thailand subsidiary and drawdown of a short term loan of S\$5.5 million in October 2011 by the Company to part finance the acquisition of White Orchid Hotel and its business.

## 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>2012</u>	<u>2011</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation	1,092	1,005	8.7
Allowance for doubtful debts	23	161	(85.7)
Fair value gain on held-for-trading investments	(262)	(124)	111.3
Net foreign exchange loss	38	53	(28.3)
Gain on disposal of available-for-sale investments	(2)	(132)	(98.5)
Loss (gain) on disposal of property, plant and equipment	13	(1)	n.m

n.m.: not meaningful

### *Depreciation*

The increase in depreciation expense was mainly due to White Orchid Hotel acquired by the Group in October 2011.

### *Fair value gain on held-for-trading investments*

The Group made a higher fair value gain on held-for-trading investments in first quarter 2012 due to the strengthening of the stock markets that the Group has invested in.

### *Net foreign exchange adjustment loss*

The weakening of USD against S\$ resulted in foreign exchange loss from investments in first quarter 2012.

### *Gain on disposal of available-for-sale investments*

The Group made a small disposal gain on available-for-sale investments for first quarter 2012.

## 8. Income tax expense

Income tax expense for first quarter 2012 increased mainly due to New Zealand's subsidiary which made a profit in first quarter 2012 as compared to a loss in the same period in 2011.

# 1(b)(i) STATEMENTS OF FINANCIAL POSITION

		<u>The Group</u>		<u>The Company</u>	
		<u>31 Mar 12</u>	<u>31 Dec 11</u>	<u>31 Mar 12</u>	<u>31 Dec 11</u>
	<u>Notes</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<b><u>ASSETS</u></b>					
<b>Current assets</b>					
Cash and bank balances		19,992	19,436	4,145	4,376
Held-for-trading investments	9	6,013	5,157	492	491
Available-for-sale investments	10	3,644	3,190	685	450
Trade receivables		4,457	4,624	1,647	1,424
Other receivables, deposits and prepaid expenses	11	2,205	1,488	48	60
Inventories		354	351	83	61
<b>Total current assets</b>		<b>36,665</b>	<b>34,246</b>	<b>7,100</b>	<b>6,862</b>
<b>Non-current assets</b>					
Subsidiaries		-	-	84,723	84,182
Available-for-sale investments	10	4,093	3,687	1,595	1,424
Property, plant and equipment		325,579	325,987	143,077	143,050
Investment properties		92,158	90,436	23,643	23,291
Lease incentives		1,368	1,328	-	-
Goodwill		123	123	-	-
<b>Total non-current assets</b>		<b>423,321</b>	<b>421,561</b>	<b>253,038</b>	<b>251,947</b>
<b>Total assets</b>		<b>459,986</b>	<b>455,807</b>	<b>260,138</b>	<b>258,809</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current liabilities</b>					
Bank loans	12	21,210	20,540	12,250	12,250
Trade payables		3,483	3,596	2,445	2,537
Other payables		4,070	4,139	5,518	5,865
Hire purchase payables		8	8	-	-
Income tax payable		2,438	2,120	1,449	1,386
<b>Total current liabilities</b>		<b>31,209</b>	<b>30,403</b>	<b>21,662</b>	<b>22,038</b>
<b>Non-current liabilities</b>					
Retirement benefit obligations		719	719	-	-
Long-term bank loans		74,616	75,129	-	-
Deferred income tax		14,530	15,114	427	442
Hire purchase payables		22	24	-	-
<b>Total non-current liabilities</b>		<b>89,887</b>	<b>90,986</b>	<b>427</b>	<b>442</b>
<b>Capital and reserves</b>					
Share capital		100,438	100,438	100,438	100,438
Asset revaluation reserve		158,977	158,977	115,908	115,908
Fair value reserve		2,542	1,671	513	284
Translation reserve	13	(208)	(1,406)	-	-
Retained earnings		77,141	74,738	21,190	19,699
<b>Total equity</b>		<b>338,890</b>	<b>334,418</b>	<b>238,049</b>	<b>236,329</b>
<b>Total liabilities and equity</b>		<b>459,986</b>	<b>455,807</b>	<b>260,138</b>	<b>258,809</b>

## **Notes**

### **9. Held-for-trading investments**

The increase was mainly due to increase in fair value arising from improved stock markets.

### **10. Available-for-sale investments**

Available-for-sale investments comprise of current assets and non-current assets.

The increase in available-for-sale investments from funds reported in current assets was mainly due to increase in fair value arising from improved stock markets.

The increase in available-for-sale investments from quoted equity shares reported in non- current assets was mainly due to better stock market conditions.

### **11. Other receivables, deposits and prepaid expenses**

The increase was mainly due to prepayment of insurance premium in Grand Complex in New Zealand.

### **12. Bank loans**

The Company continued to rollover its existing revolving short term bank facilities on less than one year duration as the interest rates were more favourable for short term financing. Such rollover of short-term bank facilities on less than one year duration contributed to the negative working capital of the Company as at 31 March 2012 and 31 December 2011. However, the Group has positive working capital as at 31 March 2012 and 31 December 2011.

### **13. Translation reserve**

The movement in translation reserve from negative S\$1.406 million as at 31 December 2011 to negative S\$0.208 million as at 31 March 2012 was mainly due to gain on translating the net assets of New Zealand and Malaysian subsidiaries into SGD as the NZD and RM have strengthened against the SGD as at 31 March 2012.

## 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 2012</u>		<u>As at 31 Dec 2011</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
21,210	-	20,540	-

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

<u>As at 31 Mar 2012</u>		<u>As at 31 Dec 2011</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
74,616	-	75,129	-

### Details of collaterals

The bank borrowings are secured by mortgages of the Company's and subsidiaries' freehold land and buildings and a fixed floating charge on all the Company's and subsidiaries' assets, and on the investment properties (including assignment of rental proceeds of certain investment properties) of certain subsidiaries.

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

	<b>Group</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>
<b>Operating activities:</b>		
Profit before income tax	3,219	2,812
Adjustments for:		
Depreciation expense	1,092	1,005
Dividend income	(18)	(24)
Interest income	(28)	(16)
Interest expense	819	550
Gain on disposal of available-for-sale investments	(2)	(132)
Loss (gain) on disposal of property, plant and equipment	13	(1)
Fair value gain on held-for-trading investments	(262)	(124)
Allowance for doubtful debts	23	161
	<hr/>	<hr/>
Operating cash flows before movements in working capital	4,856	4,231
Available-for-sale investments (current assets)	(518)	(22)
Held-for-trading investments	(595)	(433)
Trade receivables	145	(195)
Other receivables, deposits and prepaid expenses	(847)	(374)
Inventories	(3)	(6)
Trade and other payables	(182)	(306)
	<hr/>	<hr/>
Cash generated from operations	2,856	2,895
Interest paid	(819)	(550)
Interest received	28	16
Dividend received	18	24
Income tax paid – net of refund	(1,290)	(89)
	<hr/>	<hr/>
Net cash from operating activities	793	2,296
	<hr/>	<hr/>
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(310)	(460)
Additions to investment properties	(389)	(2,140)
Proceeds from disposal of property, plant and equipment	2	18
Proceeds from disposal of available-for-sale investments	531	289
	<hr/>	<hr/>
Net cash used in investing activities	(166)	(2,293)
	<hr/>	<hr/>



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

	<b><u>Group</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>
<b>Financing activities:</b>		
Proceeds from bank loans	19,280	9,331
Repayment of bank loans	(19,385)	(8,789)
Repayment of finance lease	(2)	(2)
	<hr/>	<hr/>
Net cash (used in) from financing activities	(107)	540
	<hr/>	<hr/>
Net increase in cash and cash equivalents	520	543
Cash and cash equivalents at beginning of period	19,436	25,841
Effect of currency exchange adjustment	36	(52)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b><u>19,992</u></b>	<b><u>26,332</u></b>

	<b><u>As at 31 March</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>S\$'000</u></b>	<b><u>S\$'000</u></b>
Cash and cash equivalents consist of:		
Cash on hand	153	162
Cash at bank	16,040	10,750
Fixed deposits	3,799	15,420
	<hr/>	<hr/>
Total	<u>19,992</u>	<u>26,332</u>

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

	<u>Share capital</u> <u>S\$'000</u>	<u>Asset revaluation reserve</u> <u>S\$'000</u>	<u>Fair value reserve</u> <u>S\$'000</u>	<u>Translation reserve</u> <u>S\$'000</u>	<u>Retained earnings</u> <u>S\$'000</u>	<u>Total</u> <u>S\$'000</u>
<b>The Group</b>						
Balance at 1 January 2011	100,438	132,077	3,025	(1,210)	73,048	307,378
Total comprehensive income for the period	-	-	(186)	(1,409)	2,510	915
<b>Balance at 31 March 2011</b>	<b>100,438</b>	<b>132,077</b>	<b>2,839</b>	<b>(2,619)</b>	<b>75,558</b>	<b>308,293</b>
Balance at 1 January 2012	100,438	158,977	1,671	(1,406)	74,738	334,418
Total comprehensive income for the period	-	-	871	1,198	2,403	4,472
<b>Balance at 31 March 2012</b>	<b>100,438</b>	<b>158,977</b>	<b>2,542</b>	<b>(208)</b>	<b>77,141</b>	<b>338,890</b>

	<u>Share capital</u> <u>S\$'000</u>	<u>Asset revaluation reserve</u> <u>S\$'000</u>	<u>Fair value reserve</u> <u>S\$'000</u>	<u>Retained earnings</u> <u>S\$'000</u>	<u>Total</u> <u>S\$'000</u>
<b>The Company</b>					
Balance at 1 January 2011	100,438	96,008	658	17,050	214,154
Total comprehensive income for the period	-	-	(61)	1,642	1,581
<b>Balance at 31 March 2011</b>	<b>100,438</b>	<b>96,008</b>	<b>597</b>	<b>18,692</b>	<b>215,735</b>
Balance at 1 January 2012	100,438	115,908	284	19,699	236,329
Total comprehensive income for the period	-	-	229	1,491	1,720
<b>Balance at 31 March 2012</b>	<b>100,438</b>	<b>115,908</b>	<b>513</b>	<b>21,190</b>	<b>238,049</b>

**1(d)(ii) SHARE CAPITAL**

	<u>31 Mar 2012</u>	<u>31 Dec 2011</u>	<u>31 Mar 2012</u>	<u>31 Dec 2011</u>
	<u>Number of ordinary shares</u>		<u>\$'000</u>	<u>\$'000</u>
	<u>'000</u>			
<b>Issued and paid-up capital:</b>				
Balance at beginning and end of period	84,000	84,000	100,438	100,438

There was no movement in the issued and paid-up capital of the Company since 31 December 2011.

**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 2011.

**5 CHANGES IN ACCOUNTING POLICIES**

Not applicable.

## 6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>	
	<u>First Quarter Ended 31 March</u>	
	<u>2012</u>	<u>2011</u>
EPS (based on consolidated profit after taxation)		
- on weighted average number of shares	2.86 cents	2.99 cents
- on a fully diluted basis	2.86 cents	2.99 cents

Basic earnings per share is calculated on the Group profit after taxation of S\$2.403 million (2011: S\$2.510 million) divided by weighted average number of ordinary shares of 84,000,000 (2011: 84,000,000).

Diluted earnings per ordinary share is 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 2012</u>	<u>31 Dec 2011</u>	<u>31 Mar 2012</u>	<u>31 Dec 2011</u>
NAV per share based on issued number of shares as at the end of the respective period	S\$4.03	S\$3.98	S\$2.83	S\$2.81

The NAV per share as at 31 March 2012 and 31 December 2011 were calculated based on the number of shares in issue of 84 million ordinary shares.

## 8 REVIEW OF GROUP PERFORMANCE

The Group's revenue for the first quarter 2012 improved by about 11.3% from S\$11.402 million to S\$12.692 million mainly due to upward adjustment of room rates of the Singapore hotels, improved food and beverage sales and additional contribution from the newly acquired White Orchid Hotel in Bangkok in October 2011.

Group profit for the first quarter 2012 decreased by 4.3% from S\$2.510 million to S\$2.403 million mainly due to higher finance cost and income tax expense offset by improved room, food and beverage sales.

In the opinion of the Directors, no transaction has arisen between 31 March 2012 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**

Tourist arrivals in Singapore are expected to slow down due to current uncertainties in Europe. We will continue to monitor our room occupancy and room rates for the Group's hotel segment so as to react swiftly to market condition.

The Group will continue to actively market its vacant premises in Grand Complex, New Zealand, so as to maximise rental income.

In addition to the above, the Group's profitability will continue to be influenced by the performance of the NZD, USD and RM against the SGD, the changes in the market value of our investment trading portfolio and the investment income from our total investment portfolio.

## **11 DIVIDEND**

### **(a) Current Financial Period Reported On**

No interim dividend is recommended for the first quarter ended 31 March 2012.

### **(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 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 quarter ended 31 March 2012 to be false or misleading in any material aspect.

### **BY ORDER OF THE BOARD**

Sharon Yeoh  
Company Secretary

11 May 2012