



HOTEL ROYAL LIMITED

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

1 UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF-YEAR ENDED 30 JUNE 2012

The Directors of Hotel Royal Limited (the “Company”) are pleased to announce the following unaudited results of the Group for the second quarter and half-year ended 30 June 2012.

1(a) CONSOLIDATED PROFIT AND LOSS STATEMENT for the second quarter and half-year ended 30 June

		<u>Group</u>					
		<u>Second Quarter Ended 30 June</u>			<u>Half-Year Ended 30 June</u>		
		<u>2012</u>	<u>2011</u>	<u>+ / (-)</u>	<u>2012</u>	<u>2011</u>	<u>+ / (-)</u>
<u>Notes</u>		<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Revenue	1	13,233	12,510	5.8	25,925	23,912	8.4
Cost of sales	2	(5,995)	(5,527)	8.5	(12,269)	(11,292)	8.7
Gross profit		7,238	6,983	3.7	13,656	12,620	8.2
Other income	3	119	68	75.0	393	325	20.9
Distribution costs	4	(180)	(120)	50.0	(307)	(248)	23.8
Administrative expenses	4	(2,613)	(2,245)	16.4	(5,065)	(4,434)	14.2
Other expenses	5	(566)	(237)	138.8	(641)	(452)	41.8
Finance cost	6	(812)	(564)	44.0	(1,631)	(1,114)	46.4
Profit before income tax	7	3,186	3,885	(18.0)	6,405	6,697	(4.4)
Income tax expense	8	(949)	(1,504)	(36.9)	(1,765)	(1,806)	(2.3)
Profit for the period attributable to owners of the Company		2,237	2,381	(6.0)	4,640	4,891	(5.1)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the second quarter and half-year ended 30 June

	<u>Group</u>			
	<u>Second Quarter Ended 30 June</u>		<u>Half-Year Ended 30 June</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Profit for the period	<u>2,237</u>	<u>2,381</u>	<u>4,640</u>	<u>4,891</u>
Net fair value changes on available-for-sale financial assets	(573)	(187)	298	(373)
Exchange differences arising on consolidation	(1,732)	1,444	(534)	35
Other comprehensive income for the period	<u>(2,305)</u>	<u>1,257</u>	<u>(236)</u>	<u>(338)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>(68)</u>	<u>3,638</u>	<u>4,404</u>	<u>4,553</u>

Notes

1. Revenue

Revenue comprises the following:

	<u>Group</u>					
	<u>Second Quarter Ended 30 June</u>			<u>Half-Year Ended 30 June</u>		
	<u>2012</u>	<u>2011</u>	<u>+ / (-)</u>	<u>2012</u>	<u>2011</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Room revenue	8,256	7,859	5.1	16,320	15,227	7.2
Food and beverages revenue	1,971	1,826	7.9	3,916	3,403	15.1
Rental income from:						
Investment properties	1,655	1,635	1.2	3,119	3,059	2.0
Other properties	730	647	12.8	1,480	1,268	16.7
Car park revenue	325	303	7.3	665	602	10.5
Interest income from outside parties	12	26	(53.8)	40	42	(4.8)
Dividend income from:						
Quoted equity investments (gross)	84	130	(35.4)	102	144	(29.2)
Unquoted equity investments (gross)	-	-	-	-	10	-
Others	200	84	138.1	283	157	80.3
Total	13,233	12,510	5.8	25,925	23,912	8.4

Room revenue

Group room revenue for second quarter and first half-year of 2012 increased by 5.1% and 7.2% respectively as compared to the corresponding periods in 2011 mainly due to upward adjustment of room rates of the Singapore hotels and additional contribution from White Orchid Hotel in Bangkok which was acquired in October 2011. The increase had been offset by lower contribution from the Malaysia hotels.

Food and beverages revenue

The increase in food and beverages revenue for second quarter and first half-year of 2012 as compared to the corresponding periods in 2011 were mainly due to additional contribution from the newly acquired White Orchid Hotel in Bangkok and higher breakfast sales contributed by the company and the subsidiary in Penang.

Rental income from investment properties

Rental income from investment properties for second quarter and first half-year of 2012 increased by 1.2% and 2.0% respectively as compared to the corresponding periods in 2011 mainly due to additional contribution from The Royal Residences which commenced operation in April 2012.

Rental income from other properties

The increase in rental income from other properties for second quarter and first half-year of 2012 as compared to the corresponding periods in 2011 were mainly due to the additional contribution from the newly acquired White Orchid Hotel.

2. Cost of sales

The operation of White Orchid Hotel contributed to the higher cost of sales for second quarter and first half-year of 2012 as compared to the corresponding periods in 2011.

3. Other income

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

The increase in other income for second quarter and first half-year of 2012 were mainly due to higher fair value gain on held-for-trading investments and gain on foreign exchange. The increase has been offset by smaller gain on sale of available-for-sale investments.

4. Distribution costs and administrative expenses

The increase in distribution costs and administrative expenses for second quarter and first half-year of 2012 were mainly due to the inclusion of White Orchid Hotel in Bangkok.

5. Other expenses

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

The increase in other expenses for second quarter and first half-year of 2012 were mainly due to higher foreign exchange loss.

6. Finance cost

The increase in finance cost for second quarter and first half-year of 2012 as compared to the corresponding periods in 2011 were mainly due to drawdown of a 7 year 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>Second Quarter Ended 30 June</u>			<u>Half-Year Ended 30 June</u>		
	<u>2012</u>	<u>2011</u>	<u>+ / (-)</u>	<u>2012</u>	<u>2011</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation	1,070	1,021	4.8	2,162	2,026	6.7
Allowance for doubtful debts	16	75	(78.7)	39	236	(83.5)
Fair value loss (gain) on held-for-trading investments	102	23	343.5	(160)	(101)	58.4
Net foreign exchange adjustment loss	582	161	261.5	620	214	189.7
Gain on disposal of available-for-sale investments	(125)	(11)	1036.4	(127)	(143)	(11.2)
Net (gain) loss on disposal of property, plant and equipment	-	(3)	-	13	(4)	-
Write-back of allowance for doubtful debts	-	(50)	-	-	(50)	-

Depreciation

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

Allowance for doubtful debts

The decrease was mainly due to lower allowance of doubtful debts incurred by the Group's wholly-owned subsidiary in New Zealand in second quarter 2012.

Fair value loss (gain) on held-for-trading investments

The Group suffered a fair value loss on held-for-trading investments in second quarter 2012, but made an overall fair value gain on held-for-trading investments in first half-year of 2012. This was mainly due to the favourable stock markets in first quarter 2012.

Net foreign exchange adjustment loss

The weakening of MYR against SGD resulted in foreign exchange loss from investments in second quarter 2012.

Gain on disposal of available-for-sale investments

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

8. Income tax expense

Income tax expense for second quarter and first half-year of 2012 decreased mainly due to deferred tax credit of the New Zealand subsidiary as a result of losses incurred in second quarter 2012, as opposed to deferred tax expense in first quarter 2012.

1(b)(i) STATEMENTS OF FINANCIAL POSITION

		<u>The Group</u>		<u>The Company</u>	
		<u>30 June 12</u>	<u>31 Dec 11</u>	<u>30 June 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>
<u>ASSETS</u>					
Current assets					
Cash and bank balances		20,624	19,436	2,930	4,376
Held-for-trading investments	9	4,821	5,157	505	491
Available-for-sale investments	10	4,643	3,190	694	450
Trade receivables		3,756	4,624	1,397	1,424
Other receivables, deposits and prepaid expenses	11	1,846	1,488	14	60
Inventories		311	351	76	61
Total current assets		36,001	34,246	5,616	6,862
Non-current assets					
Subsidiaries		-	-	86,245	84,182
Available-for-sale investments	10	3,938	3,687	1,547	1,424
Property, plant and equipment		323,425	325,987	143,061	143,050
Investment properties		91,275	90,436	24,173	23,291
Lease incentives		1,545	1,328	-	-
Goodwill		123	123	-	-
Total non-current assets		420,306	421,561	255,026	251,947
Total assets		456,307	455,807	260,642	258,809
<u>LIABILITIES AND EQUITY</u>					
Current liabilities					
Bank loans	12	24,307	20,540	15,750	12,250
Trade payables		3,279	3,596	2,258	2,537
Other payables		3,745	4,139	5,465	5,865
Hire purchase payables		9	8	-	-
Income tax payable		1,749	2,120	1,517	1,386
Total current liabilities		33,089	30,403	24,990	22,038
Non-current liabilities					
Retirement benefit obligations		716	719	-	-
Long-term bank loans		73,152	75,129	-	-
Deferred income tax		14,708	15,114	427	442
Hire purchase payables		20	24	-	-
Total non-current liabilities		88,596	90,986	427	442
Capital and reserves					
Share capital		100,438	100,438	100,438	100,438
Asset revaluation reserve		158,977	158,977	115,908	115,908
Fair value reserve		1,969	1,671	470	284
Translation reserve	13	(1,940)	(1,406)	2	-
Retained earnings		75,178	74,738	18,407	19,699
Total equity		334,622	334,418	235,225	236,329
Total liabilities and equity		456,307	455,807	260,642	258,809

9. Held-for-trading investments

The decrease was mainly due to lower fair value resulting from weakening of 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 and quoted equity shares reported in non-current assets were mainly due to increase in fair value arising from improved stock markets in first quarter 2012, which is offset by weaker stock market conditions in second quarter 2012.

11. Other receivables, deposits and prepaid expenses

The increase was mainly due to higher prepayments of insurance premium by Grand Complex in New Zealand.

12. Bank loans

The Company continued to rollover its existing revolving short term bank facilities for less than one year duration as the interest rates were more favourable for short term financing. Such rollover of short-term bank facilities for less than one year duration contributed to the negative working capital of the Company as at 30 June 2012 and 31 December 2011. However, the Group has positive working capital as at 30 June 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\$1.940 million as at 30 June 2012 was mainly due to loss on translating the net assets of Malaysian subsidiaries into SGD as RM has weakened against SGD in first half of 2012, which was offset by the gain on translating the net assets of New Zealand subsidiary into SGD as NZD has strengthened against the SGD in second quarter 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 30 June 2012</u>		<u>As at 31 Dec 2011</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
24,307	-	20,540	-

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

<u>As at 30 June 2012</u>		<u>As at 31 Dec 2011</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
73,152	-	75,129	-

Details of collaterals

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

1 (c) **CONSOLIDATED STATEMENT OF CASH FLOWS**
for the second quarter and half-year ended 30 June

	Group			
	Second Quarter Ended 30		Half-Year Ended 30	
	June		June	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities:				
Profit before income tax	3,186	3,885	6,405	6,697
Adjustments for:				
Depreciation expense	1,070	1,021	2,162	2,026
Dividend income	(84)	(130)	(102)	(154)
Interest income	(12)	(26)	(40)	(42)
Interest expense	812	564	1,631	1,114
Allowance for doubtful debts	16	75	39	236
Write-back of allowance for doubtful debts	-	(50)	-	(50)
Gain on disposal of available-for-sale investments	(125)	(11)	(127)	(143)
(Gain) Loss on disposal of property, plant and equipment	-	(3)	13	(4)
Fair value loss (gain) on held-for-trading investments	102	23	(160)	(101)
Operating cash flows before movements in working capital	4,965	5,348	9,821	9,579
Available-for-sale investments (current assets)	(1,429)	(133)	(1,947)	(155)
Held-for-trading investments	1,269	(160)	674	(593)
Trade receivables	(860)	(656)	(715)	(851)
Other receivables, deposits and prepaid expenses	1,719	(56)	872	(430)
Inventories	42	(9)	39	(15)
Trade and other payables	(510)	-	(692)	(306)
Cash generated from operations	5,196	4,334	8,052	7,229
Interest paid	(812)	(564)	(1,631)	(1,114)
Interest received	12	26	40	42
Dividend received	84	130	102	154
Income tax paid – net of refund	(686)	(678)	(1,976)	(767)
Net cash from operating activities	3,794	3,248	4,587	5,544
Investing activities:				
Purchase of available-for-sale investments (non-current assets)	(690)	(43)	(690)	(43)
Proceeds from disposal of property, plant & equipment	1	3	3	21
Proceeds from disposal of available-for-sale investments	649	33	1,180	322
Purchase of property, plant and equipment	(879)	(300)	(1,189)	(760)
Addition to investment properties	(851)	(2,297)	(1,240)	(4,437)
Deposit for proposed acquisition of subsidiary	-	(2,101)	-	(2,101)
Net cash used in investing activities	(1,770)	(4,705)	(1,936)	(6,998)

1 (c) CONSOLIDATED STATEMENT OF CASH FLOWS
for the second quarter and half-year ended 30 June (Continued)

	<u>Group</u>			
	<u>Second Quarter Ended 30</u>		<u>Half-Year Ended 30</u>	
	<u>June</u>		<u>June</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Financing activities:				
Proceeds from bank loans	6,063	17,701	25,343	27,032
Repayment of bank loans	(3,427)	(17,267)	(22,812)	(26,056)
Repayment of finance lease	(2)	(2)	(4)	(4)
Dividends paid	(4,200)	(4,200)	(4,200)	(4,200)
Net cash used in financing activities	(1,566)	(3,768)	(1,673)	(3,228)
Net increase (decrease) in cash and cash equivalents	458	(5,225)	978	(4,682)
Cash and cash equivalents at beginning of period	19,992	26,332	19,436	25,841
Effect of currency exchange adjustment	174	90	210	38
Cash and cash equivalents at end of period	20,624	21,197	20,624	21,197

Cash and cash equivalents consist of:

	<u>Group</u>	
	<u>30 June</u>	<u>30 June</u>
	<u>2012</u>	<u>2011</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash on hand	124	233
Cash at bank	18,565	13,623
Fixed deposits	1,935	7,341
Total	20,624	21,197

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

	<u>Share capital</u>	<u>Asset revaluation reserve</u>	<u>Fair value reserve</u>	<u>Translation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
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
Balance at 31 March 2011	100,438	132,077	2,839	(2,619)	75,558	308,293
Dividend	-	-	-	-	(4,200)	(4,200)
Total comprehensive income for the period	-	-	(187)	1,444	2,381	3,638
Balance at 30 June 2011	100,438	132,077	2,652	(1,175)	73,739	307,731
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
Balance at 31 March 2012	100,438	158,977	2,542	(208)	77,141	338,890
Dividend	-	-	-	-	(4,200)	(4,200)
Total comprehensive income for the period	-	-	(573)	(1,732)	2,237	(68)
Balance at 30 June 2012	100,438	158,977	1,969	(1,940)	75,178	334,622

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

	Share capital <u>S\$'000</u>	Asset revaluation reserve <u>S\$'000</u>	Fair value reserve <u>S\$'000</u>	Translation reserve <u>S\$'000</u>	Retained earnings <u>S\$'000</u>	Total <u>S\$'000</u>
The Company						
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
Balance at 31 March 2011	100,438	96,008	597	-	18,692	215,735
Dividend	-	-	-	-	(4,200)	(4,200)
Total comprehensive income for the period	-	-	(84)	1	1,634	1,551
Balance at 30 June 2011	100,438	96,008	513	1	16,126	213,086
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
Balance at 31 March 2012	100,438	115,908	513	-	21,190	238,049
Dividend	-	-	-		(4,200)	(4,200)
Total comprehensive income for the period	-	-	(43)	2	1,417	1,376
Balance at 30 June 2012	100,438	115,908	470	2	18,407	235,225

1(d)(ii) SHARE CAPITAL

	<u>30 June 2012</u>	<u>31 Dec 2011</u>	<u>30 June 2012</u>	<u>31 Dec 2011</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	84,000	84,000	100,438	100,438

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 2011.

5 CHANGES IN ACCOUNTING POLICIES

Not applicable.

6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>		<u>Half-Year Ended 30 June</u>	
	<u>Second Quarter Ended 30 June</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
EPS (based on consolidated profit after taxation)				
- on weighted average number of shares	2.66 cents	2.83 cents	5.52 cents	5.82 cents
- on a fully diluted basis	2.66 cents	2.83 cents	5.52 cents	5.82 cents

Basic earnings per share for the second quarter and half year are calculated on the Group profit after taxation of S\$2.237 million and S\$4.640 million respectively (2011: S\$2.381 million and S\$4.891 million respectively) 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>30 June 2012</u>	<u>31 Dec 2011</u>	<u>30 June 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\$3.98	S\$3.98	S\$2.80	S\$2.81

The NAV per share as at 30 June 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

Second quarter 2012 vs. second quarter 2011

The Group's revenue for second quarter 2012 was S\$13.233 million as compared with S\$12.510 million for the corresponding quarter last year. The increase of 5.8% or S\$0.723 million was mainly due to upward adjustment of room rates of the Singapore hotels, improved rental income from investment properties, higher food and beverage sales, and additional contribution from White Orchid Hotel in Bangkok acquired in October 2011 and the additional income from Royal Residence commencing from April 2012.

Profit after income tax decreased by 6.0% from S\$2.381 million to S\$2.237 million mainly due to higher operation and finance costs incurred.

First half-year 2012 vs. first half-year 2011

The Group's revenue for first half-year 2012 increased by about 8.4% or S\$2.013 million due to higher average room rate, improved rental income from investment properties and additional contribution from White Orchid Hotel in Bangkok acquired in October 2011 and additional income from The Royal Residences.

Profit after income tax decreased by about 5.1% from S\$4.891 million to S\$4.640 million. This was mainly due to higher operation and finance costs incurred, which was offset by higher group revenue for the first half-year of 2012 as compared to the corresponding period in 2011.

In the opinion of the Directors, no transaction has arisen between 30 June 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

Tourism sector growth prospect in Singapore may slow down due to the ongoing uncertainty in global economy as a result of current debt crisis in Europe. We will continue to monitor our room occupancy and room rates for the Group's hotel segment so as to react proactively to the uncertain market conditions ahead.

The Group will continue to actively market its vacant premises in Grand Complex in New Zealand, 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 performance of the NZD, USD, 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 current period ended 30 June 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 second quarter and half-year ended 30 June 2012 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Sharon Yeoh
Company Secretary

10 August 2012