



HOTEL ROYAL LIMITED

(Incorporated in the Republic of Singapore)

(Co. Reg. No. 196800298G)

1 UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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 2016.

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

		<u>Group</u>		
		<u>2016</u>	<u>2015</u>	<u>+ / (-)</u>
	<u>Notes</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Revenue	1	15,219	15,331	(0.7)
Cost of sales	2	(7,063)	(7,267)	(2.8)
Gross profit		8,156	8,064	1.1
Other income	3	349	826	(57.7)
Distribution costs		(140)	(297)	(52.9)
Administrative expenses	4	(3,827)	(4,091)	(6.5)
Other expenses	5	(498)	(350)	42.3
Finance costs	6	(1,269)	(1,317)	(3.6)
Profit before income tax	7	2,771	2,835	(2.3)
Income tax expense	8	(592)	(668)	(11.4)
Profit for the period attributable to owners of the Company		2,179	2,167	0.6

**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>2016</u>	<u>2015</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Profit for the period	2,179	2,167	0.6
Other Comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale investments:			
Fair value gain (loss) recognised in fair value reserve	12	(319)	(>100)
Transfer from fair value reserve to profit or loss upon disposal of available-for-sale investments	25	321	(92.2)
Exchange (loss) gain on translation of foreign operations	(312)	1,080	(>100)
Total	(275)	1,082	(>100)
Total comprehensive income for the period attributable to owners of the Company	1,904	3,249	(41.4)

Notes

1. Revenue

Revenue comprises the following:

	<u>Group</u>		
	<u>First Quarter Ended 31 March</u>		
	<u>2016</u>	<u>2015</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Room revenue	9,347	9,503	(1.6)
Food and beverage revenue	2,222	2,275	(2.3)
Spa revenue	279	256	9.0
Rental income from:			
Investment properties	2,072	2,140	(3.2)
Other properties	738	710	3.9
Car park revenue	387	301	28.6
Interest income from outside parties	30	50	(40.0)
Dividend income from:			
Quoted equity investments (gross)	40	39	2.6
Others	104	57	82.5
Total	15,219	15,331	(0.7)

Room revenue

Group room revenue for the first quarter 2016 decreased by 1.6% as compared to the first quarter 2015 mainly due to lower room occupancy and room rates in some of the Group's hotels. The weakening of RM against SGD also contributed to the decrease.

Food and beverage revenue

The decrease in food and beverage revenue for the first quarter 2016 as compared to the first quarter 2015 resulted from lower room occupancy and banquet sales in some of the Group's hotels.

Rental income from investment properties

Lower occupancy resulted in lower rental income from investment properties in New Zealand. The weakening of RM and NZD against SGD also contributed to the decrease.

2. Cost of sales

The decrease was mainly due to lower costs in some of the Group's hotels. The weakening of NZD against SGD also contributed to the decrease. Gross profit margin remained relatively constant at 53.6%, compared to 52.6%.

3. Other income

Other income comprises gain on disposal of available-for-sale investments, fair value gain on held-for-trading investments, write back of allowance for doubtful receivables no longer required and miscellaneous income.

The decrease in other income for first quarter 2016 as compared to first quarter 2015 was mainly due to lower gain on disposal of available-for-sale investments and lower fair value gain on held-for-trading investments.

4. Administrative expenses

The decrease in administrative expenses for first quarter 2016 as compared to first quarter 2015 was mainly due to absence of legal fee and stamp duty expenses related to the acquisition of The Baba House, which was present in 2015.

5. Other expenses

Other expenses comprise mainly impairment loss on available-for-sale investments, foreign exchange loss and miscellaneous expenses.

The increase in other expenses for first quarter 2016 as compared to first quarter 2015 mainly arose from higher impairment loss on available-for-sale investments within first quarter 2016.

6. Finance costs

The decrease in finance cost for first quarter 2016 as compared to first quarter 2015 was mainly due to repayment of bank loans in some of the Group's subsidiaries.

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>2016</u>	<u>2015</u>	<u>+ / (-)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation	2,080	2,150	(3.3)
Impairment loss on available-for-sale investments	176	-	100.0
Allowance for doubtful receivables	-	28	(100.0)
Write back of allowance for doubtful receivables no longer required	(9)	(34)	(73.5)
Fair value gain on held-for-trading investments	(3)	(65)	(95.4)
Net foreign exchange loss	6	65	(90.8)
Gain on disposal of available-for-sale investments	(28)	(321)	(91.3)
Loss on disposal of property, plant and equipment	1	7	(85.7)

Impairment loss on available-for-sale investments

The impairment loss arose from weak stock market conditions since January 2016.

Fair value gain on held-for-trading investments

The Group made a lower fair value gain on held-for-trading investments in first quarter 2016 mainly due to higher disposal of held-for-trading investments in 2015.

Net foreign exchange loss

The Group made lower net foreign exchange loss for first quarter 2016 as compared to first quarter 2015 mainly due to disposal of some available-for-sale and held-for-trading investments in 2015.

Gain on disposal of available-for-sale investments

The lower gain on disposal of available-for-sale investments for first quarter 2016 was mainly due to less disposal of available-for-sale investments.

8. Income tax expense

Income tax expense decreased mainly due to lower tax provision as a result of lower taxable income in some of the Group's subsidiaries.

1(b)(i) STATEMENTS OF FINANCIAL POSITION

		<u>The Group</u>		<u>The Company</u>	
		<u>31 Mar 16</u>	<u>31 Dec 15</u>	<u>31 Mar 16</u>	<u>31 Dec 15</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		17,737	17,037	2,637	2,770
Held-for-trading investments	9	4,000	3,743	605	620
Available-for-sale investments	10	7,806	8,230	1,646	1,697
Trade receivables	11	3,470	4,022	1,134	1,322
Other receivables, deposits and prepaid expenses	12	2,038	1,584	179	258
Inventories		721	772	112	136
Income tax recoverable		28	7	-	-
Total current assets		35,800	35,395	6,313	6,803
Non-current assets					
Deferred tax assets		-	-	-	-
Subsidiaries		-	-	164,510	162,473
Available-for-sale investments	10	3,565	3,434	1,108	1,088
Other assets	13	1,741	1,129	-	-
Goodwill		1,737	1,783	-	-
Property, plant and equipment		589,019	588,808	243,253	243,073
Investment properties	14	91,700	93,492	24,311	24,443
Total non-current assets		687,762	688,646	433,182	431,077
Total assets		723,562	724,041	439,495	437,880
<u>LIABILITIES AND EQUITY</u>					
Current liabilities					
Bank loans	15	20,118	19,814	-	-
Trade payables		4,919	4,927	3,015	2,973
Other payables	16	3,488	3,823	2,606	2,933
Current portion of finance lease		15	20	-	-
Income tax payable		2,574	2,369	1,193	1,207
Total current liabilities		31,114	30,953	6,814	7,113
Non-current liabilities					
Long-term bank loans	15	135,054	137,345	58,164	58,164
Other payables	16	74	110	26,906	26,807
Retirement benefit obligations		629	598	-	-
Finance lease		15	14	-	-
Deferred tax liabilities		19,300	19,549	724	724
Total non-current liabilities		155,072	157,616	85,794	85,695
Capital and reserves					
Share capital		100,438	100,438	100,438	100,438
Asset revaluation reserve		352,360	352,360	210,108	210,108
Employee benefit reserve		171	171	-	-
Fair value reserve		1,767	1,730	471	460
Translation reserve		(14,935)	(14,623)	-	-
Retained earnings		97,575	95,396	35,870	34,066
Total equity		537,376	535,472	346,887	345,072
Total liabilities and equity		723,562	724,041	439,495	437,880

Notes

9. Held-for-trading investments

The increase mainly arose from more purchases of investments.

10. Available-for-sale investments

Available-for-sale investments consist of current portion and non-current portion.

The decrease in current portion of available-for-sale investments mainly arose from impairment loss in January 2016 and translation loss due to weakening of USD against SGD.

The increase in non-current portion of available-for-sale investments mainly arose from fair value gain in March 2016.

11. Trade receivables

The decrease mainly arose from lower sales in some of the Group's subsidiaries.

12. Other receivables, deposits and prepaid expenses

The increase mainly arose from prepayments made for insurance expenses in the New Zealand subsidiary and property tax expense in a Malaysia subsidiary.

13. Other assets

The increase mainly arose from deposits made for renovation works at the Burasari Resort in Phuket.

14. Investment properties

The decrease mainly arose from translation loss in New Zealand subsidiary due to weakening of NZD against SGD.

15. Bank loans

Bank loans consist of current bank loan and long-term bank loans.

The increase in current bank loans and decrease in long-term bank loans was mainly due to part of long-term loan becoming due for payment within 12 months.

16. Other payables

The decrease mainly arose from less purchases as well as prompt payments made to creditors in some of the Group's subsidiaries.

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 2016</u>		<u>As at 31 Dec 2015</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
20,118	-	19,814	-

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

<u>As at 31 Mar 2016</u>		<u>As at 31 Dec 2015</u>	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
135,054	-	137,345	-

Details of collaterals

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

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

	Group	
	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Operating activities:		
Profit before income tax	2,771	2,835
Adjustments for:		
Depreciation expense	2,080	2,150
Dividend income	(40)	(39)
Interest income	(30)	(50)
Interest expense	1,269	1,317
Impairment loss on available-for-sale investments	176	-
Gain on disposal of available-for-sale investments	(28)	(321)
Fair value gain on held-for-trading investments	(3)	(65)
Loss on disposal of property, plant and equipment	1	7
Allowance for doubtful receivables	-	28
Write back of allowance for doubtful receivables no longer required	(9)	(34)
Operating cash flows before movements in working capital	6,187	5,828
Available-for-sale investments	169	(107)
Held-for-trading investments	(254)	(59)
Trade and other receivables	(505)	2,003
Inventories	51	(317)
Trade and other payables	(379)	(499)
Cash generated from operations	5,269	6,849
Interest paid	(1,269)	(1,317)
Interest received	30	50
Dividend received	40	39
Income tax paid – net of refund	(1,170)	(288)
Net cash from operating activities	2,900	5,333
Investing activities:		
Purchase of available-for-sale investments	(383)	(27)
Proceed from disposal of available-for-sale investments	395	815
Purchase of property, plant and equipment	(1,056)	(6,101)
Additions to investment properties	(34)	(817)
Proceeds from disposal of property, plant and equipment	-	1
Acquisition of The Baba House	-	(9,943)
Net cash used in investing activities	(1,078)	(16,072)

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

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Financing activities:		
Proceeds from bank loans	853	12,591
Repayment of bank loans	(2,873)	(5,788)
Repayment of finance lease	(4)	(8)
	<hr/>	<hr/>
Net cash (used in) from financing activities	(2,024)	6,795
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(202)	(3,944)
Cash and cash equivalents at beginning of period	17,037	17,834
Effect of currency exchange adjustment	902	3,418
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>17,737</u>	<u>17,308</u>

	<u>As at 31 March</u>	
	<u>2016</u>	<u>2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash and cash equivalents consist of:		
Cash on hand	155	131
Cash at bank	16,115	15,646
Fixed deposits	1,467	1,531
	<hr/>	<hr/>
Total	<u>17,737</u>	<u>17,308</u>

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

The Group	<u>Share capital</u> <u>S\$'000</u>	<u>Asset revaluation reserve</u> <u>S\$'000</u>	<u>Employee benefit reserve</u> <u>S\$'000</u>	<u>Fair value reserve</u> <u>S\$'000</u>	<u>Currency translation reserve</u> <u>S\$'000</u>	<u>Retained earnings</u> <u>S\$'000</u>	<u>Total</u> <u>S\$'000</u>
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
Balance at 1 January 2016	100,438	352,360	171	1,730	(14,623)	95,396	535,472
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,179	2,179
Other comprehensive income for the period	-	-	-	37	(312)	-	(275)
Total	-	-	-	37	(312)	2,179	1,904
Balance at 31 March 2016	100,438	352,360	171	1,767	(14,935)	97,575	537,376

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

	<u>Share capital S\$'000</u>	<u>Asset revaluation reserve S\$'000</u>	<u>Fair value reserve S\$'000</u>	<u>Retained earnings S\$'000</u>	<u>Total S\$'000</u>
The Company					
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
Balance at 1 January 2016	100,438	210,108	460	34,066	345,072
Total comprehensive income for the period					
Profit for the period	-	-	-	1,804	1,804
Other comprehensive income for the period	-	-	11	-	11
Total	-	-	11	1,804	1,815
Balance at 31 March 2016	100,438	210,108	471	35,870	346,887

1(d)(ii) SHARE CAPITAL

	<u>31 Mar</u> <u>2016</u>	<u>31 Dec</u> <u>2015</u>	<u>31 Mar</u> <u>2016</u>	<u>31 Dec</u> <u>2015</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 2015.

The Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016. This has no material effect on the amounts reported for the current or prior periods.

5 CHANGES IN ACCOUNTING POLICIES

There has been no change in accounting policies which has a material financial effect on the results and financial position of the Group and of the Company for the current and the previous financial periods.

6 EARNINGS PER ORDINARY SHARE (EPS)

	<u>Group</u>	
	<u>First Quarter Ended 31 March</u>	<u>2015</u>
	<u>2016</u>	
EPS (based on consolidated profit after income tax expense)		
- on weighted average number of shares	2.59 cents	2.58 cents
- on a fully diluted basis	2.59 cents	2.58 cents

Basic earnings per share is calculated on the Group's profit of S\$2.179 million (2015: S\$2.167 million) after income tax expense divided by 84 million (2015: 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 2016</u>	<u>31 Dec 2015</u>	<u>31 Mar 2016</u>	<u>31 Dec 2015</u>
NAV per share based on issued number of shares as at the end of the respective period	S\$6.40	S\$6.37	S\$4.13	S\$4.11

The NAV per share as at 31 March 2016 and 31 December 2015 were calculated based on the number of shares in issue of 84 million ordinary shares.

8 REVIEW OF GROUP PERFORMANCE

The Group's revenue decreased by 0.7% to S\$15.219 million in first quarter 2016 from S\$15.331 million in first quarter 2015. This was mainly due to lower room revenue, lower food and beverage sales and lower rental income in some of the Group's subsidiaries. The weakening of RM and NZD against SGD also contributed to the decrease.

The Group's profit after income tax increased by 0.6% for first quarter 2016 as compared to the same period last year. This was due mainly to lower income tax provision as a result of lower taxable income in some of the Group's subsidiaries.

In the opinion of the Directors, no transaction has arisen between 31 March 2016 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

With more new hotels opening up in Singapore and persistent manpower shortages, coupled with the slowdown in the economy, the Group expects more challenges in the year ahead. The Group will continue to focus on improving service quality and enhancing customers' experience. We will monitor our room occupancy and room rates in order to expand our customer base and enlarge our share of tourist arrivals.

With uncertain prospects for the New Zealand economy, the Group will continue to actively upgrade the properties in New Zealand to maximize their rental income.

The current instability in the Middle East and the uncertain world economy 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 fluctuations in exchange rates of currencies such as the NZD, USD, RM and THB against SGD, as well as changes in the market values of the investments 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 2016.

(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 CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS

The Company has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

**14 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 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Sin Chee Mei
Company Secretary

12 May 2016