GLOBAL PREMIUM HOTELS LIMITED

ANNUAL REPORT 2016

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CORPORATE **PROFILE**

Listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 26 April 2012, Global Premium Hotels Limited (GPHL) operates one of Singapore's largest chains of hotels with 24 hotels, of which 21 hotels are operated under the "Fragrance" brand, 2 hotels under the "Parc Sovereign" brand and 1 hotel under the "Klapstar" brand. We provide economy-tier and mid-tier class of accommodation with 1,975 rooms in Singapore. We own all our hotels save for Klapstar Boutique Hotel.

We are principally engaged in the business of developing and operating economy-tier to mid-tier class of hotels. Our established track record and reputation of providing affordable accommodation has led to our "Fragrance" brand of hotels becoming well-recognised in the local and regional hospitality industry.

Most of our hotels are strategically located in the city or city-fringe areas and easily accessible by major roads, public buses and the Singapore Mass Rapid Transit railway system (SMRT). Many of our hotels are also situated near major convention centres, tourist attractions and the Integrated Resorts.

LETTER TO **SHAREHOLDERS**

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present the Annual Report for the Financial Year ended 31 December 2016 (FY 2016).

OVERVIEW

FY 2016 has been a challenging year for the hospitality and tourism industry. The uncertainty in the global economy has affected tourist spending particularly corporate sector spending. During the financial year under review, the Group reported a dip in revenue of 4.6% from $61.1 million in FY 2015 to $58.3 million in FY 2016. In spite of the increase in tourist arrivals, hotel room rates continued to decline during the year mainly due to the increase in the number of rooms available and shorter length of stay. The Group's average occupancy rate decreased from 81.6% in FY 2015 to 77.6% in FY 2016 and revenue per available room also retreated from $85.3 in FY 2015 to $81.5 in FY 2016. Accordingly, our gross profit decreased by $2.9 million or 5.4% from $54.5 million in FY 2015 to $51.6 million in FY 2016. Net profit for FY 2016 was $11.9 million which is 19.3% lower than FY 2015.

The Group owned a portfolio of 23 hotels with a carrying value of $1.21 billion as at 31 December 2016. The Group saw marginal growth in its net assets value from $728.5 million as of 31 December 2015 to $729.1 million as of 31 December 2016 and maintained a comfortable debt-to-total assets ratio of 37.8%.

AUSTRALIAN PROPERTY

As announced in February 2017, the Group has obtained development approval to develop the property located at 36 (Lot 18) St Georges Terrace and 10-14 (Lots 19 and 50) Pier Street, Perth, Australia (the "Property") into an iconic luxury hospitality property consisting of approximately 545 hotel rooms including 60 hotel apartments and 4 premium suites (the "Hotel") with a height of approximately 249.5 meters with 62 levels.

LOOKING FORWARD

Looking ahead, the Group expects the hospitality and tourism industry in Singapore to continue to face challenges amid the global economic uncertainty and the new supply of hotel rooms locally. Despite the gloomy economic environment, the Group will continue with its effort to improve operational efficiency, upgrade the facilities and create value through asset enhancement works to some of our hotels and expand our customer network through online business opportunities.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and Management, we would like to thank our customers, suppliers, business partners and staff for their support in FY 2016. Most of all, we would like to thank you, our Shareholders, for your continued confidence and support.

DR KOH WEE MENG
Chairman

MS KO LEE MENG
Deputy Chairman and
Chief Executive Officer

Artist's Impression of Proposed Hotel in Perth

CORPORATE **STRUCTURE**

CORPORATE **INFORMATION**

BOARD OF DIRECTORS
Dr Koh Wee Meng
(Chairman and Non-Executive Director)

Ms Ko Lee Meng
(Deputy Chairman and Executive Director)

Mr Khoo Chee Meng Mark
(Executive Director)

Mr Periakaruppan Aravindan
(Non-Executive Director)

Mr Woo Peng Kong
(Lead Independent Director)

Mr Kau Jee Chu
(Independent Director)

Dr Kwan Chee Wai
(Independent Director)

AUDIT COMMITTEE
Mr Woo Peng Kong
(Chairman)

Mr Kau Jee Chu
Dr Kwan Chee Wai

NOMINATING COMMITTEE
Mr Kau Jee Chu
(Chairman)

Dr Kwan Chee Wai
Dr Koh Wee Meng

REMUNERATION COMMITTEE
Dr Kwan Chee Wai
(Chairman)

Mr Woo Peng Kong
Dr Koh Wee Meng

COMPANY SECRETARY
Mr Keloth Raj Kumar

REGISTERED OFFICE
456 Alexandra Road #25-01
Fragrance Empire Building
Singapore 119962
Tel: +65 6348 7888
Fax: +65 6345 5951

REGISTRATION NUMBER
201128650E

SHARE REGISTRAR AND SHARE TRANSFER AGENT
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road
#02-00
Singapore 068898

AUDITORS
Deloitte & Touche LLP
Chartered Accountants
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809

Partner-in-charge:
Mrs Wong-Yeo Siew Eng
Appointed: 31 March 2015

PRINCIPAL FINANCIAL INSTITUTIONS
CIMB Bank Berhad
DBS Bank Ltd
Hong Leong Finance Limited
Oversea-Chinese Banking Corporation Limited
RHB Bank Berhad
Sing Investments & Finance Limited

BOARD OF **DIRECTORS**

	DR KOH WEE MENG	MS KO LEE MENG
Role	Chairman Non-Executive Director	Deputy Chairman Chief Executive Officer Executive Director
Appointment	**Date of first appointment as a director:** 19 September 2011 **Date of last re-election as a director:** 31 March 2015 **Length of service as a director:** 5 years 3 months *(on 31 December 2016)*	**Date of first appointment as a director:** 8 October 2015 **Date of last re-election as a director:** 8 April 2016 **Length of service as a director:** 1 year 2 months *(on 31 December 2016)*
Board committee(s) served on	Nominating Committee (Member) Remuneration Committee (Member)	Nil
Academic & Professional Qualification(s)	Awarded Honorary Doctorate of Philosophy in Entrepreneurship, Wisconsin International University	Bachelor's degree in Arts, National University of Singapore
Present Directorships in other listed companies	Fragrance Group Limited (Executive Chairman and CEO)	Aspial Corporation Limited (Non-Executive Director, Member of Audit and Remuneration Committees) Maxi-Cash Financial Services Corporation Limited (Non-Executive Director, Member of Audit and Remuneration Committees)
Major Appointments (other than directorships in listed companies)	Nil	Nil
Directorships in other listed companies held over the preceding three years (from to 31 Dec 2013 to 30 Dec 2016)	Nil	Aspial Corporation Limited (Executive Director)

BOARD OF DIRECTORS

	MR KHOO CHEE MENG MARK	MR PERIAKARUPPAN ARAVINDAN
Role	Chief Operating Officer Executive Director	Non-Executive Director
Appointment	**Date of first appointment as a director:** 9 June 2015 **Date of last re-election as a director:** 8 April 2016 **Length of service as a director:** 1 year 6 months *(on 31 December 2016)*	**Date of first appointment as a director:** 10 August 2012 **Date of last re-election as a director:** 31 March 2015 **Length of service as a director:** 4 years 4 months *(on 31 December 2016)*
Board committee(s) served on	Nil	Nil
Academic & Professional Qualification(s)	GCE O Level Certified Fire Safety Manager	Chartered Accountant of Singapore, Institute of Singapore Chartered Accountants (ISCA) Fellow Member of the Association of Chartered Certified Accountants, United Kingdom (ACCA) Bachelor in Commerce, Madurai Kamaraj University Masters in Business Administration (Finance), Madurai Kamaraj University
Present Directorships in other listed companies	Nil	Fragrance Group Limited (Executive Director) AF Global Limited (formerly known as LCD Global Investments Limited) (Non-Executive Director, Member of Audit and Remuneration Committees)
Major Appointments (other than directorships in listed companies)	Nil	Nil
Directorships in other listed companies held over the preceding three years (from to 31 Dec 2013 to 30 Dec 2016)	Nil	Nil

BOARD OF **DIRECTORS**

	MR WOO PENG KONG	MR KAU JEE CHU
Role	Lead Independent Director	Independent Director
Appointment	**Date of first appointment as a director:** 22 March 2012 **Date of last re-election as a director:** 8 April 2016 **Length of service as a director:** 4 years 9 months *(on 31 December 2016)*	**Date of first appointment as a director:** 22 March 2012 **Date of last re-election as a director:** 31 March 2015 **Length of service as a director:** 4 years 9 months *(on 31 December 2016)*
Board committee(s) served on	Audit Committee (Chairman) Remuneration Committee (Member)	Nomination Committee (Chairman) Audit Committee (Member)
Academic & Professional Qualification(s)	Bachelor's degree in Engineering (Mechanical) (First Class Honours), University of Singapore Certified Diploma in Accounting and Finance, ACCA	Bachelor of Accountancy degree, University of Singapore Member in retirement of the ISCA Fellow member of ACCA
Present Directorships in other listed companies	AF Global Limited (formerly known as LCD Global Investments Limited) (Lead Independent Director, Member of Audit and Remuneration Committees as well as Chairman of Nominating Committee)	Aspial Corporation Limited (Independent Director, Member of Audit and Remuneration Committees as well as Chairman of Nominating Committee)
Major Appointments (other than directorships in listed companies)	Nil	Nil
Directorships in other listed companies held over the preceding three years (from to 31 Dec 2013 to 30 Dec 2016)	Charisma Energy Services Limited	Nil

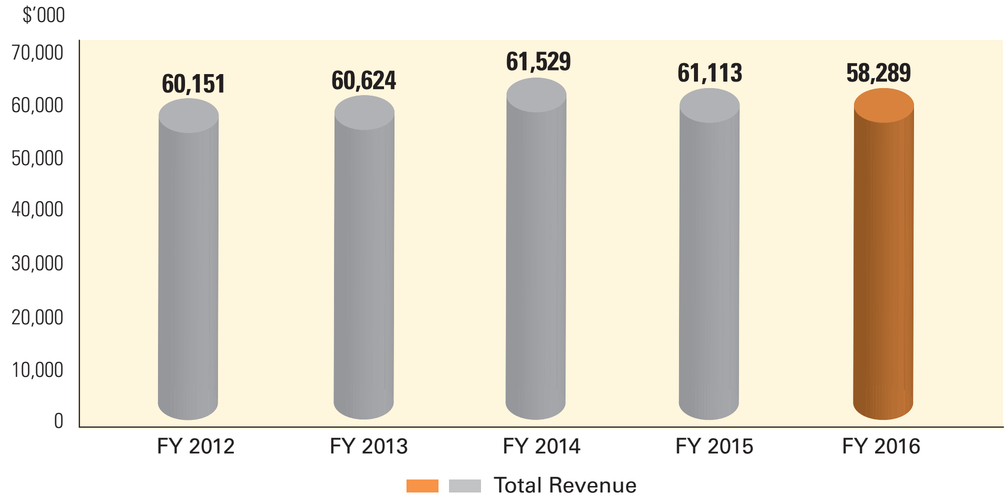
BOARD OF **DIRECTORS**

	DR KWAN CHEE WAI
Role	Independent Director
Appointment	**Date of first appointment as a director:** 22 March 2012 **Date of last re-election as a director:** 8 April 2016 **Length of service as a director:** 4 years 9 months *(on 31 December 2016)*
Board committee(s) served on	Remuneration Committee (Chairman) Nominating Committee (Member) Audit Committee (Member)
Academic & Professional Qualification(s)	Doctor of Philosophy (Finance), University of Western Australia Masters of Business Research, University of Western Australia Masters of Business Administration (Investment and Finance), University of Hull Masters of Business Administration, University of Strathclyde Bachelor of Accountancy, Nanyang Technological University Fellow CA Singapore, ISCA Fellow member of Certified Public Accountants of Australia
Present Directorships in other listed companies	Nil
Major Appointments (other than directorships in listed companies)	Nil
Directorships in other listed companies held over the preceding three years (from to 31 Dec 2013 to 30 Dec 2016)	Nil

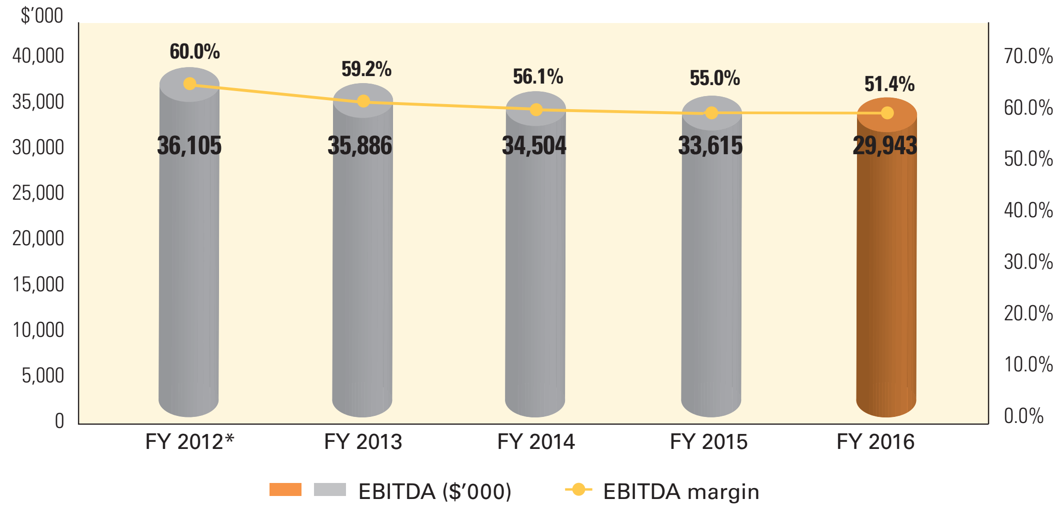
FINANCIAL **HIGHLIGHTS**

PERFORMANCE AT A GLANCE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Hotel room revenue ($'000)	58,934	59,673	60,569	60,000	57,175
Rental revenue ($'000)	1,217	951	960	1,113	1,114
Total Revenue	**60,151**	**60,624**	**61,529**	**61,113**	**58,289**



	FY 2012*	FY 2013	FY 2014	FY 2015	FY 2016
EBITDA ($'000)	36,105	35,886	34,504	33,615	29,943
EBITDA margin	60.0%	59.2%	56.1%	55.0%	51.4%



* Earnings before interest, tax and depreciation & amortisation ("EBITDA") excludes one-off expenses of $2.1 million comprising of expenses incurred from IPO, acquisition of subsidiary and professional fees.

FINANCIAL **HIGHLIGHTS**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	FY 2016[1]	FY 2015[1]	Variance
Revenue ($'000)	58,289	61,113	– 4.6%
Gross Profit ($'000)	51,644	54,584	– 5.4%
EBITDA ($'000)	29,943	33,615	– 10.9%
Finance Costs ($'000)	9,659	10,234	– 5.6%
Net Profit ($'000)	11,940	14,799	– 19.3%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AS AT 31 DECEMBER)

	FY 2016	FY 2015	Variance
Property, Plant and Equipment ($'000)	1,207,866	1,222,486	– 1.2%
Total Assets ($'000)	1,245,303	1,259,565	– 1.1%
Total Borrowings ($'000)	470,645	482,259	– 2.4%
Total Liabilities ($'000)	516,156	531,035	– 2.8%
Market Capitalisation ($ million)	310.3	341.9	– 9.2%
Net Asset Value Per Share ($)	0.69	0.69	–
Hotel Portfolio Valuation[2] ($'000)	1,205,640	1,220,250	–1.2%

BREAKDOWN OF THE ROOM REVENUE

Group	FY 2016	FY 2015	Variance
RevPAR[3] ($)	81.5	85.3	– 4.5%
Average Occupancy Rate	77.6%	81.6%	– 4.9%

Notes:
1 The financial year from 1 January to 31 December.
2 23 hotel properties
3 RevPAR: Revenue Per Available Room = Total room revenue/Total available room nights.

FINANCIAL AND **OPERATIONS REVIEW**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Revenue decreased marginally by 4.6% year-on-year (yoy) to $58.3 million for FY 2016 due to lower revenue recognised from most of the hotels including seven hotels which had to close temporarily either fully or floor by floor to facilitate asset enhancement works. The decrease was partially offset by additional contribution from certain hotels which were completed with asset enhancement works in 2015. Gross profit decreased by 5.4% from $54.5 million in FY 2015 to $51.6 million in FY 2016 due to lower revenue with slight increase in cost of sales of 1.8%.

Administrative expenses increased by 4.2% from $26.8 million in FY 2015 to $27.9 million in FY 2016. This was mainly due to i) increase in staff cost of $0.7 million attributed to general increase in wages, ii) increase in rental of head office, iii) general increase in repair and maintenance costs, iv) increase in commission expenses relating to online booking platforms; and v) higher depreciation charge on fixed assets. Earnings before interest, tax and depreciation & amortisation (EBITDA) decreased by 10.9% yoy to $29.9 million for FY 2016.

Finance costs decreased by 5.6% yoy to $9.7 million mainly due to recognition of interest capitalised for a property under development in FY 2016 and the effect of moderately lower interest rates for some of the loans in FY 2016.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current assets comprise mainly property under development and cash and cash equivalents which increased by 0.5% to $37.1 million as at 31 December 2016. The increase was mainly due to additional cost incurred on a property under development, located in Perth, Australia.

Non-current assets comprise mainly the property, plant and equipment which decreased by 1.2% as at 31 December 2016. The decrease was mainly due to decrease in fair value of hotel properties in FY 2016 and depreciation of fixed assets during the period, which were partially offset by capitalisation of asset enhancement costs for eight hotels, additional furniture & fittings, office equipment and IT equipment.

Current liabilities comprise mainly the term loans payable within one year which decreased by $1.7 million to $30.5 million as at 31 December 2016. This was mainly due to the change in terms of certain loans following their renewal/refinancing.

Non-current liabilities comprise the term loans payable after one year and deferred tax liabilities which decreased by $13.2 million to $485.7 million as at 31 December 2016. This was mainly due to repayment of term loans, partially offset by additional loan drawdown and decrease in deferred tax provision following the change in fair value of the hotel properties.

FINANCIAL AND **OPERATIONS REVIEW**

OUR HOTEL PORTFOLIO

PARC SOVEREIGN BRAND

PARC SOVEREIGN HOTEL @ ALBERT STREET, our first premium brand of hotel with 172 rooms, stands in the midst of the historically colourful vicinity of Bugis Street, Haji Lane, Arab Street and Little India. The location of this hotel is ideal for travellers with a penchant for arts and guests who simply adore being surrounded by places of arts, such as the Singapore Art Museum, Chijmes and LASALLE College of the Arts.

PARC SOVEREIGN HOTEL – TYRWHITT, our second premium brand hotel with 270 rooms smartly decorated to meet the needs of leisure and business travellers. Nature lovers who enjoy being surrounded by the natural greenery will have their own private garden in our deluxe resort rooms. Our guests would also be able to enjoy a dip in the infinity pool or a sun tan on the sky garden.

Well located, Lavender MRT station is within 10 minutes walking distance and the Central Expressway, Nicoll Highway and East Coast Parkway which provide easy accessibility to other parts of the island, are all within 5 to 10 minutes' drive away from the hotel.

FRAGRANCE BRAND

FRAGRANCE HOTEL – SELEGIE has 95 rooms that feature both the beauty of the colonial pre-war 2-storey shophouses on the front façade and a 10-storey building at the back. Amenities such as WIFI are available in every guest room and a roof top swimming pool warmly welcomes those who wish to have a leisurely swim.

Located just a stone's throw from Little India, guests will be fascinated by the colourful temples and shops lining the spice scented streets in this area.

The famous shopping belt of Orchard Road is also within walking distance and the hotel is conveniently located near Little India MRT station which is about 2 minutes walking distance away.

FRAGRANCE HOTEL – IMPERIAL situated at Penhas Road has 74 guest rooms, complete with WIFI facilities and a swimming pool.

With just about a 2-minute walking distance from Lavender MRT station, our hotel guests are able to enjoy the serene surroundings of the hotel, as well as have easy access to public transportation.

FINANCIAL AND **OPERATIONS REVIEW**

THE FRAGRANCE HOTEL, with 90 rooms is located in the suburb of Joo Chiat, approximately a 15-minute drive from Changi International Airport. Guests will be greeted by the colourful pre-war shophouses with eateries, shops and entertainment places.

FRAGRANCE HOTEL – BUGIS situated in the City District is just a stone's throw away from Bugis MRT station. The area is famous for its many landmarks such as the National Library, City Hall, Suntec City and The Esplanade. Guests can also find a wide array of dining and entertainment options from nearby shopping malls, such as Bugis Junction, Bugis+, Raffles City, to name a few.

FRAGRANCE HOTEL – LAVENDER is situated within walking distance to Lavender MRT station. Travellers staying at the 35-room hotel will get a chance to experience the local lifestyle of Singaporeans while having easy access to the bustling shopping and entertainment districts such as Bugis Village and Little India.

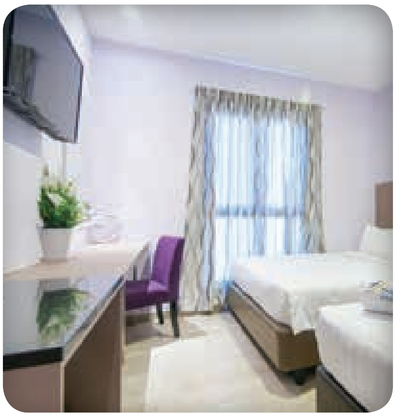
FRAGRANCE HOTEL – KOVAN, with 43 guest rooms is situated in one of the heartlands of Singapore. Our hotel guests are able to experience the local lifestyle at the nearby food and shopping outlets.

FRAGRANCE HOTEL – RIVERSIDE, with 101 rooms is located in the vicinity of Boat Quay and Clarke Quay area and is just a 5-minute walk from Clarke Quay MRT station. It is within walking distance to the Chinatown historic districts, a 10-minute drive to the famous Orchard Road shopping belt and a 10-minute drive to the popular Marina Bay area. Within easy access to these areas, guests will be surrounded with various shopping, dining and entertainment venues.

HOTELS IN BALESTIER AREA

Hotel guests staying at any of the four hotels, namely, **FRAGRANCE HOTEL – OASIS, FRAGRANCE HOTEL – BALESTIER, FRAGRANCE HOTEL – ROSE AND FRAGRANCE HOTEL – CLASSIC** at Balestier Road will be able to enjoy a wide selection of local delights as well as entertainment and shopping experiences conveniently located along this stretch of road. For those who are interested in Singapore history, the famous Sun Yat Sen Nanyang Memorial Hall is just nearby.

FINANCIAL AND **OPERATIONS REVIEW**


HOTELS IN GEYLANG AREA

All the six hotels, namely, **FRAGRANCE HOTEL – RUBY, FRAGRANCE HOTEL – CRYSTAL, FRAGRANCE HOTEL – EMERALD, FRAGRANCE HOTEL – PEARL, FRAGRANCE HOTEL – SAPPHIRE AND FRAGRANCE HOTEL – SUNFLOWER** located in the Geylang area have distinctive features and characteristics that blend in nicely with their surroundings. Guests will be able to select from the biggest **FRAGRANCE HOTEL – RUBY** with 168 rooms to the smallest **FRAGRANCE HOTEL – SUNFLOWER** with 27 rooms.

The area is vibrant throughout the day and night and guests will be spoilt for choice with the wide variety of outlets offering Asian cuisine and other local delights.

The hotels are located close to the Singapore Sports Hub at Kallang and guests also have easy access to places of interest such as The Esplanade, Clifford Pier and Orchard Road as well as the financial district of Raffles Place. The area is well served by public transport such as buses, and the hotels are a short distance away from either Kallang or Aljunied MRT station.

HOTELS IN WEST COAST AREA

FRAGRANCE HOTEL – WATERFRONT has 57 guest rooms and **FRAGRANCE HOTEL – OCEAN VIEW** has 47 guest rooms. The hotels are located close to the National University of Singapore and West Coast Park.

FRAGRANCE HOTEL – VIVA has 33 guest rooms and **FRAGRANCE HOTEL – ROYAL** has 32 guest rooms. Both hotels are situated at the foot of Mount Faber. Guests can immerse in the lush surroundings, with easy access to places such as Mount Faber, Sentosa and the nearby Labrador Park to catch a picturesque sunset. Popular shopping malls like Vivo City and Harbourfront Centre are within walking distance. For guests who wish to enjoy a drink or savour the nightlife, there is the St. James Power Station.

CORPORATE **SOCIAL RESPONSIBILITY**

GPHL is committed to adopting green initiatives and green policies by monitoring and reducing energy consumption in our hotels. This initiative is supported by our employees who will assist in identifying and implementing eco-friendly programs such as:

a) reducing the use of water, electricity and materials through awareness programs and through incorporating energy-efficient designs into new buildings, equipment and working practices;

b) setting and meeting targets for the reduction of utilities consumption. Our employees will monitor the targets against actual consumption on a regular basis;

c) using dual flush water closets and flow regulators to save water;

d) utilising energy-efficient light bulbs;

e) using energy-efficient windows, resulting in less cooling required by air-conditioning;

f) encouraging our guests to use their bed linens and towels more than once to save water and energy; and

g) using energy-efficient appliances (such as air-conditioners).

In 2016, GPHL has partnered with Children's Wishing Well to take part in "food-for-families" event. Employees of GPHL participated in this event to pack and deliver groceries for more than 100 families.

CORPORATE **GOVERNANCE REPORT**

The Board of Directors of Global Premium Hotels Limited (the "Company") is committed to ongoing improvement in corporate governance. It has developed and, on an ongoing basis, maintains sound and transparent policies and practices to meet the specific business need of the Company and its subsidiaries (the "Group"), as a fundamental part of discharging its responsibilities to protect and enhance the interests of shareholders in line with the Code of Corporate Governance (the "Code"). This statement describes the Company's corporate governance processes and activities with specific reference to the Code and the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST).

This annual report sets out the corporate governance practices for the financial year (FY) 2016 with reference to the Code. Where there are deviations from the principles and guidelines of the Code, an explanation has been provided within this annual report.

THE CODE

The Code is divided into four main sections:

1. Board Matters
2. Remuneration Matters
3. Accountability and Audit
4. Shareholder Rights and Responsibilities

1. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS – PRINCIPLE 1
Every Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board of Directors (the "Board") currently comprises two Executive Directors, two Non-Executive Directors and three independent Non-Executive Directors. The seven Board members comprise businessmen and professionals with strong financial and business backgrounds, providing the necessary experience and expertise to direct and lead the Group. More details of the Board members can be found under the section 'Board of Directors'.

The Board provides leadership to Senior Management, sets strategic directions, oversees the management of the Group and ensures that the necessary financial and human resources are in place for the Group to meet its objectives. The Board establishes goals for the Senior Management and monitors the achievement of these goals. It ensures that proper and effective controls are in place to assess and manage the business risks and compliance prescribed by the SGX-ST, Monetary Authority of Singapore (MAS) or other relevant authorities, and applicable laws. It also sets the disclosure and transparency standards for the Group and ensures that the obligations to shareholders and other stakeholders are understood and met; and also considers sustainability issues as disclosed under the section "Corporate Social Responsibility".

The Board reviews the corporate governance practices of the Group periodically and approves major funding and internal guidelines for material transactions.

CORPORATE GOVERNANCE REPORT

To enable the Board to fulfill its responsibility, the Management provides the Board with management reports on a regular and timely basis, with relevant and adequate information prior to Board meetings. The Board also has separate and independent access to the Company Secretary and the Company's Senior Management.

The Company Secretary attends all Board meetings and ensures that the Board procedures are in accordance with the provisions of the Companies Act and all other regulations of the SGX-ST.

The Board of Directors has formed three committees: (i) the Audit Committee (AC), (ii) the Remuneration Committee (RC) and (iii) the Nominating Committee (NC). These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis.

Each of these Board Committees operates under delegated authority from the Board, but the Board continues to retain overall oversight. The Board may form other Board Committees as dictated by the business imperatives. Membership of the various Board Committees is managed to ensure an equitable distribution of the responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

The schedule for all Board and Board committee meetings and the Annual General Meeting (AGM) for the next calendar year is planned well in advance, in consultation with all the Directors. The Board meets at least four times annually and as and when necessary to address any specific significant matters that may arise. The attendances of the Directors at the Board and Committee meetings held in the financial year are as follows:

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
No. of Meetings held	4	4	1	1
No. of meetings attended by respective Directors				
Koh Wee Meng	3	N/A	1	1
Ko Lee Meng[1]	4	4	N/A	N/A
Khoo Chee Meng Mark[2]	4	4	N/A	N/A
Periakaruppan Aravindan	4	N/A	N/A	N/A
Woo Peng Kong[3]	4	4	1	1
Kau Jee Chu[4]	4	4	1	1
Kwan Chee Wai	4	4	1	1

Notes:

(1) Ms Ko Lee Meng is not a member of the Audit Committee but was invited by the Committee to attend its meeting.

(2) Mr Khoo Chee Meng Mark is not a member of the Audit Committee but was invited by the Committee to attend its meeting.

(3) Mr Woo Peng Kong is not a member of Nominating Committee but was invited by the Committee to attend its meeting.

(4) Mr Kau Jee Chu is not a member of Remuneration Committee but was invited by the Committee to attend its meeting.

CORPORATE **GOVERNANCE REPORT**

The Company provides suitable training for Directors. Upon appointment, each Director is provided with a formal letter of appointment, setting out the director's duties and obligations. All Directors on appointment are briefed by the Board to familiarise them with the Group's business, its strategic directions and corporate governance practices.

Following their appointment, Directors are provided opportunities for continuing education in areas such as directors' duties and responsibilities, changes to regulations and accounting standards and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors.

At all times the Directors are collectively and individually obliged to act honestly and with diligence, and to consider the best interest of shareholders. In addition to disclosure of any interest a Director may have in a matter under consideration by the Board, any Director who is in a conflict of interest situation is also required to abstain from participating in discussions on the matter.

BOARD COMPOSITION AND GUIDANCE – PRINCIPLE 2
There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board now consists of seven Directors, consisting of two Executive Directors, two Non-Executive Directors and three independent Directors.

The criteria for independence are determined based on the definition as provided in the Code. The Board considers an independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its Officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement. The Board, taking into account the views of the NC, has determined that Mr Woo Peng Kong, Mr Kau Jee Chu and Dr Kwan Chee Wai are independent. The independence of each Director is reviewed annually and as and when circumstances require by the NC based on the guidelines set forth in the Code. The relevant independent Directors had provided declarations of their independence which have been deliberated upon by the Board.

The Board also examined the different relationships identified by the Code that might impair the Directors' independence and objectivity.

The Group endeavours to maintain a strong and independent element on the Board. As there are three independent Directors on the Board, the prevailing applicable requirement of the Code that at least one-third of the Board be comprised of independent Directors is satisfied. The Board noted that the requirement for independent directors to make up at least half of the Board where the Chairman and the Chief Executive Officer are immediate family members or the Chairman is not an independent director.

The Board is of the view that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence and there is good balance of power and authority with all critical committees chaired by independent Directors and there is an adequate representation of independent and Non-Executive Directors (more than half) on the Board. Mr Woo Peng Kong was appointed as the lead independent Director and the NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

CORPORATE **GOVERNANCE REPORT**

The Code recommends that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment be subject to rigorous review. None of the independent Directors has served on the Board beyond nine years for the year under review.

The Non-Executive Directors will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Non-Executive Directors will have discussions amongst themselves without the presence of the Management.

The Board is of the view that the current Board members and its Board committees comprise Directors with an appropriate balance and diversity of skills, experience and knowledge of the Group. The Directors have diverse backgrounds in accounting and finance, real estate, corporate management and strategic planning. The Board will constantly examine its size with a view to determining its effectiveness.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER – PRINCIPLE 3
There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The position of Chairman and Chief Executive Officer (CEO) are held by different individuals in order to maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

There is clear separation of the roles and responsibilities between the Chairman and the CEO. Dr Koh Wee Meng leads the Board to ensure its effectiveness on all aspects of its role. He approves the agendas for the Board meetings and ensures that adequate time is given for discussion at all times at the board meeting, in particular strategic issues. He also facilitates effective contribution of Non-Executive Directors and encourages a culture of openness and debate at Board meetings. He ensures that the quality and quantity of the information received by Directors are complete, adequate as well as timely flow of information between the Board and Management. In addition, he provides close oversight, guidance, advice and leadership to the CEO and Management.

At the AGMs and other shareholders' meetings, the Chairman ensures effective communication between the shareholders, the Board and Senior Management.

The CEO has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Group. The CEO is responsible to the Board for all corporate governance procedures to be implemented by the Group and to ensure conformance by the Management to such practices.

Directors are given board papers in advance of meetings for them to be adequately prepared for the meeting and Management staff (who are not Executive Directors) are in attendance at Board and Board Committee meetings whenever necessary.

Dr Koh Wee Meng is the Chairman and Ms Ko Lee Meng is the Deputy Chairman, CEO and Executive Director of the Group. Ms Ko Lee Meng is the sibling of our Chairman, Dr Koh Wee Meng.

CORPORATE **GOVERNANCE REPORT**

The Code requires that the Board appoints an independent Director to be the lead independent Director where the Chairman and the Chief Executive Officer are immediate family members or the Chairman is not an independent director. The Board has appointed independent Director, Mr Woo Peng Kong, as the lead independent Director. The lead independent Director would be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Finance Officer (CFO) has failed to resolve or is inappropriate.

Where necessary, led by the lead independent Director, the independent Directors shall meet periodically without the presence of other Directors. The lead independent Director shall provide feedback to the Chairman after such meetings.

BOARD MEMBERSHIP – PRINCIPLE 4
There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC comprises the Group's independent Directors, Mr Kau Jee Chu and Dr Kwan Chee Wai, as well as the Group's Chairman, Dr Koh Wee Meng. Mr Kau Jee Chu is the Chairman of the NC. As majority of the NC members are independent Directors, the lead independent Director was not appointed as a member of NC but was invited by the Committee to attend its meeting.

The NC main functions as defined in the written terms of reference are as follows:

To make recommendations to the Board on relevant matters relating to:

(a) the review of Board succession plans for Directors, in particular, the Chairman and for the CEO;

(b) the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;

(c) the review of training and professional development programs for the Board;

(d) the appointment and re-appointment of Directors (including alternate Directors, if applicable); and

(e) decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple Board representations.

The NC is also charged with the responsibility of determining annually whether a Director is independent. The NC determined the independence of Directors set forth in guideline 2.3 and 2.4 of the Code. Each NC member will not take part in determining his own re-nomination or independence.

Directors' Time Commitments
The NC assesses the effectiveness of the Board as a whole and taking into account each Director's contribution and devotion of time and attention to the Company. The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions as well as by taking into account each Director's listed company board directorships, and any other relevant time commitments. While having a numerical limit on the number of directorships may be considered by some other companies to be suitable for their circumstances, at present the Company considers the assessment as described above to be more effective for its purposes. The Company also does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as new members of the Board.

CORPORATE GOVERNANCE REPORT

The Company will continue to disclose each Director's listed company board of directorships and principal commitments, which may be found under the section 'Board of Directors'.

The Board is satisfied that all Directors have discharged their duties adequately for FY 2016. The Board also expects that the Directors will continue to discharge their duties adequately in FY 2017.

Alternate Directors
The Company has no alternate Directors on its Board.

Nomination and Selection
In the event a new Director is required the search will be through search companies, contacts and recommendations so that the Company could cast its net as wide as possible for the right candidates. The NC will identify potential candidates for appointments based on and after taking into consideration the candidates' qualification, knowledge, skills and experience, as well as his/her ability to increase the effectiveness of the Board and the Group's business. The NC will then recommend their appointments to the Board for consideration.

Election and Re-election
The Company's Constitution requires at least one-third of the Directors to retire by rotation at every AGM and a retiring Director is eligible for re-election by the shareholders of the Company at the AGM. Accordingly, the Directors submit themselves for re-nomination and re-election at regular interval of at least once every 3 years. A newly appointed Director can only hold office until the next AGM and then be eligible for re-election.

BOARD PERFORMANCE – PRINCIPLE 5
There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

Reviews of the Board performance were carried out on an informal basis and no external facilitator has been used for FY 2016. The NC conducts an annual assessment of the performance and effectiveness of the Board as a whole and its Board Committees and the contribution by the Chairman and each individual director to the effectiveness of the Board. The NC believes that collective Board performance and that of individual Board members are better reflected in, and evidenced by, its and their proper guidance, diligent oversight and able leadership, and the support that it leads to Management in steering the Group in appropriate direction, and the long-term performance of the Group whether under favourable or challenging market conditions. The Board was also able to assess the Board Committees through their regular reports to the Board on their activities. Some factors considered in the individual review are Directors' attendance and participation in and outside meetings, the quality of Directors' interventions and special skills.

The performance of individual Directors is taken into account in their re-appointment or re-election. Specific needs which arise from time to time are taken into account in any appointment of new Directors.

The Chairman, in consultation with the NC, is satisfied that the Board and individual Board members have met their performance objectives for the year under review.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION – PRINCIPLE 6
In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management recognises the importance of providing the Board with complete, adequate and timely information prior to the Board meetings and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities.

As a general rule, Board papers, quarterly and year-end financial statements are circulated to Board members one week in advance prior to each Board meeting, to allow members of the Board to prepare for the Board meetings and to enable discussions to focus on any questions that they may have. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed.

The Management provides the Board with information which include budgets, Board papers, quarterly and year-end financial statements of the Group's performance with background or explanatory information on material variances. Agendas for the Board and Board Committee meetings are circulated to the Chairman of the Board and Committee members in advance.

The Board has separate and independent access to the Senior Management and the Company Secretary at all times. Requests for information from Board are dealt with promptly by the Management. The Board is informed of all material events and transactions as and when they occur. The Management also consults with Board members regularly whenever necessary and appropriate.

The quarterly and year-end financial statements are reviewed and recommended by the AC to the Board for approval.

The Company Secretary attends all Board meetings. The Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board function effectively and the Company's Constitution and the relevant rules and regulations, including requirements of the Securities and Futures Act (SFA), Companies Act and Listing Manual, are complied with.

The appointment and the removal of the Company Secretary are subject to the Board's approval as a whole.

The Board, whether as a group or individual Directors, in the furtherance of their duties, may take independent professional advice, if necessary, at the Company's expense.

2. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES – PRINCIPLE 7
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises the independent Directors, Dr Kwan Chee Wai and Mr Woo Peng Kong, as well as the Group's Chairman, Dr Koh Wee Meng. Dr Kwan Chee Wai is the Chairman of the RC.

CORPORATE GOVERNANCE REPORT

The RC main functions as defined in the written terms of reference are as follows:

(a) to recommend to the Board a framework of remuneration for the Directors and Key Management Personnel, and determines specific remuneration packages for each Executive Director. The RC's recommendations will be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, Award Shares, options and benefits-in-kind shall be covered by the RC;

(b) to perform an annual review of the remuneration of employees related to our Directors and Substantial Shareholders to ensure that their remuneration packages are commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonus, pay increases and/or promotions for these employees;

(c) to review the Company's obligations arising in the event of termination of the Executive Directors' and Key Management Personnel contracts of service, to ensure that such contracts of service contact are fair and reasonable and termination clauses are not overly generous. The RC should aim to be fair and avoid rewarding poor performance;

(d) to review whether Executive Directors and Key Management Personnel should be eligible for benefits under long-term incentive schemes; and

(e) to consider implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of shareholders.

Each RC member will abstain from voting on any resolution in respect of his own remuneration package or that of employees related to him.

During FY 2016, the RC did not seek any external professional advice on fixing remuneration packages for the Directors and Key Management Personnel.

LEVEL AND MIX OF REMUNERATION – PRINCIPLE 8

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key Management personnel to successfully manage the Company. However, Companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. The remuneration of Non-Executive Directors will also be reviewed to ensure that the remuneration is commensurate with the contributions and responsibilities of the Directors.

CORPORATE GOVERNANCE REPORT

The remuneration of Key Management Personnel and staff are structured to take into account corporate and individual performance, to align their interests with that of shareholders, as well as to promote the long-term success of the Company. The Company adopts a remuneration policy for staff comprising a basic salary and an annual variable bonus based on their achievement of key performance indicators and their appraisals are conducted once a year.

Executive Directors do not receive Directors' fees. The Executive Directors are paid a basic salary, a fixed bonus of two to three months' salary per annum and an annual performance-related profit sharing bonus pursuant to their respective service agreements. The performance bonus shall be paid to the appointee within one month of the approval by the Board of the audited consolidated accounts of the Group for the relevant financial year.

Non-Executive Directors are compensated based on a fixed annual fee taking into consideration their respective contributions and attendance at meetings. Their fees are recommended to shareholders for approval at the AGM.

There are no termination or retirement benefits that are granted to the Directors. The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION – PRINCIPLE 9

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and Key Management Personnel, and performance.

The details of the remuneration of the Directors during the year are as follows:

	2016	2015
$500,000 to below $750,000	1	–
$250,000 to below $500,000	–	1
Below $250,000	6	7
Total	**7**	**8**

CORPORATE **GOVERNANCE REPORT**

Directors' Remuneration	Directors' Fees	Base Salary	Bonus#	Others*
	%	%	%	%
Executive Directors				
$500,000 to below $750,000				
Ko Lee Meng	–	48.4	45.1	6.5
Below $250,000				
Khoo Chee Meng Mark	–	62.0	25.5	12.5
Non-Executive Directors				
Below $250,000				
Koh Wee Meng	100	–	–	–
Periakaruppan Aravindan	100	–	–	–
Kau Jee Chu	100	–	–	–
Woo Peng Kong	100	–	–	–
Kwan Chee Wai	100	–	–	–

Includes fixed and performance bonus

* Includes employer Central Provident Fund (CPF) contributions

Directors' fees payable of $270,000 were recommended by the RC and are subject to shareholders' approval at the forthcoming AGM.

Remuneration of Key Management Personnel

The range of gross remuneration received by top five Key Management Personnel (excluding Directors or the CEO) of the Company are as follow:

Range	No. of Executives
Below $250,000	5

The aggregate amount of the total remuneration paid to the Key Management Personnel (who are not Directors or the CEO of the Company) is $667,000 in FY 2016.

CORPORATE **GOVERNANCE REPORT**

Key Management Personnel Remuneration	**Basic Salary**	**Bonus#**	**Others***
	%	**%**	**%**
Below $250,000			
Executive 1	67.5	13.0	19.5
Executive 2	73.6	15.5	10.9
Executive 3	69.2	12.1	18.7
Executive 4	71.7	14.1	14.2
Executive 5	64.0	13.9	22.1

Includes fixed and variable bonus

* Includes employer CPF contributions

The Board is of the opinion that it is not in the best interests of the Group to disclose the details of the remuneration of each Director and Key Management Personnel, given the sensitivity and confidentiality of remuneration matters, such disclosure of details in relating to remuneration and the names of its Key Management Personnel in a highly competitive market for talents may potentially result in staff movement. It is important for the Company to retain talent for the long-term interests of the Company and ensure stability and continuity of business operations.

No employee who was an immediate family member of a Director was paid more than $50,000 during FY 2016. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of such person.

The Company has performance share plan (PSP) in place. The purpose of adopting the Global Premium Hotels PSP is to give the Company greater flexibility to align the interests of its employees, especially key executives, with those of shareholders. For disclosure of the employee share scheme, please refer to the "Directors' Statement" section in the annual report.

3. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY – PRINCIPLE 10
The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board provides shareholders with quarterly and annual financial statements. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced, clear and understandable assessment of Group's performance, position and prospects. In order to achieve this, results for the first three quarters are released to shareholders not later than 45 days after the quarter end. Annual results are released not later than 60 days after the financial year-end. Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

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The Board take adequate steps to ensure compliance with legislative and statutory requirements, including requirements under the Listing Manual of SGX-ST. For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the financial statements for the Group. For interim financial statements, the Board provides a statement of negative assurance to shareholders, in line with the Listing Rules. For the full year financial statements, the Board with the concurrence of the AC provides an opinion that the financial statements give a true and fair view of the results of the Group and of the Company, and the Company will be able to pay its debts when they fall due. The Company has also procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

To enable effective monitoring and decision-making by the Board, Management provides the Board with a continual flow of relevant information on a timely basis. As well as quarterly management accounts of the Group particularly prior to the release of quarterly and full-year results to the public, Management will present the Group's financial performance together with explanatory details of its operations to the AC, which will review and recommend the same to the Board for approval and authorisation for the release of the results.

RISK MANAGEMENT AND INTERNAL CONTROLS – PRINCIPLE 11
The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management has in place an adequate and effective system of internal controls addressing material financial, operational, compliance and information technology risks to safeguard shareholders' interest and the Company's assets. The Board has overall responsibility for the governance of risk and oversees the Management in the design, implementation and monitoring of the risk management and internal controls systems. The AC assists the Board in carrying out the Board's responsibility of overseeing the risk management, framework and policies of the Group.

To assist the Board, the Board has established the Risk Management Committee (RMC), a dedicated board risk committee and members are the Company's existing AC. The RMC is responsible for reviews and recommends to the Board the appropriate framework, policies and procedures for managing risks that are consistent with the Group's risk appetite. At the Management level, the Risk Management Executive Committee (RMEC) has also been established to oversee and ensure that an effective risk management system is implemented across the Group.

The Management adopts an Enterprise Risk Management Framework (ERM Framework) which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed at least annually. As part of the ERM Framework, Management, amongst other things, undertakes and performs a risk and control self-assessment process. As a result of the self-assessment process, the Management produces and maintains a risk register which identifies the material risks it faces and the corresponding internal controls in place to manage or mitigate those risks. Two exercises are performed to identify, assess and manage risks faced by the Group each year. Two RMC meetings are held with the RMEC members during the year and material risks are reviewed by the RMC and the Board.

The Board has received the assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements for FY 2016 give a true and fair view of the Company's operations and finances; and the effectiveness of the risk management and internal controls systems.

CORPORATE **GOVERNANCE REPORT**

Based on the internal controls established and maintained by the Group, the reviews conducted by Management, work performed by the internal and external auditors and various Board Committees, the Board, with the recommendation of the AC, is of the opinion that the Group's internal controls and risk management system, addressing financial, operational, compliance, sustainability and information technology risks are adequate and effective for FY 2016.

The Board acknowledges that a system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss and therefore no cost effective internal control system will preclude all errors and irregularities.

AUDIT COMMITTEE – PRINCIPLE 12
The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three independent Directors, namely Mr Woo Peng Kong, Mr Kau Jee Chu and Dr Kwan Chee Wai. Mr Woo Peng Kong is the Chairman of the AC.

The independent Directors do not have any existing business or professional relationship of a material nature with the Group, other Directors or Substantial Shareholders. They are also not related to the other Directors or the Substantial Shareholders. The members of the AC collectively have strong accounting and related financial management expertise and experience. They keep abreast of relevant changes to accounting standards and issues which have a direct impact on the financial statements by attending external seminars. The AC members are also briefed by the external auditors on such changes.

The AC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment. The AC provides a channel of communication between the Board, the Management, and the internal and external auditors on audit matters.

The duties and responsibilities of the AC are contained in a written terms of reference. The AC meets periodically to perform the following main functions:

- review with the internal auditors their audit plans including the results of the internal auditors' review and evaluation of the system of internal accounting controls;
- review the quarterly and year-end results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- review the effectiveness and adequacy of the internal control procedures addressing financial, operational and compliance risks including procedures for entering into hedging transactions;
- review the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the Management, where necessary);
- review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position;

CORPORATE GOVERNANCE REPORT

- consider and recommend the appointment or re-appointment of the external and internal auditors and matters relating to the resignation or dismissal of the auditors;
- review any interested person transactions as defined under the Listing Manual;
- review any potential conflicts of interest;
- undertake such other reviews and projects as may be requested by our Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- generally undertake such other functions and duties as may be required by statute or the Listing Manual.

The AC also has express power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

The AC has been given full access to the Management and has reasonable resources to discharge its function properly. The AC has full discretion to invite any Director or Executive Officer to attend its meetings.

During the financial year under review, the AC also held meetings with the external and internal auditors without the presence of Management.

EXTERNAL AUDITOR

The AC reviews the selection of external auditors and recommends to the Board the appointment, re-appointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor. The annual re-appointment of the external auditor is subject to shareholders approval at the AGM.

The AC reviewed the independence and objectivity of the external auditor through discussions with them as well as a review of the (i) volume and nature of the non-audit services provided by the external auditor; and (ii) quantum of non-audit fees paid to the external auditors (as described below), during the financial year under review. Based on this information, the AC is satisfied that the financial and professional relationships between the Group and the external auditor will not prejudice their independence and objectivity. Accordingly, the AC has recommended the re-appointment of the external auditor at the coming AGM.

Audit fees for FY 2016 have yet to be paid. The estimated aggregate amount of fees payable to our external auditors, Deloitte & Touche LLP, for FY 2016 of $140,000, charged as expense in FY 2016 comprises $108,000 for audit services and $32,000 for non-audit services.

Minutes of the AC meetings are submitted to the Board for information and review with such recommendations as the AC considers appropriate.

In the review of the financial statements for the financial year ended 31 December 2016, the AC discussed with Management and external auditor the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. Following the review and discussions, the AC recommended to the Board the release of the full-year financial statements.

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The following significant matters impacting the financial statements were discussed with the Management and the external auditor and were reviewed by the AC:

Significant matters	How the AC reviewed these matters and what decisions were made
Valuation of hotel properties	The valuation of the hotel properties was an area of focus for the external auditor. The external auditor has included this item as a key audit matter (KAM) in its audit report for the financial year ended 31 December 2016. The AC reviewed the methodology and considered the approach applied by the valuer. Details of the methodology are disclosed on Note 10 of the financial statements. The valuation process involves significant judgement in key inputs such as projected net income and the appropriate capitalisation rate under the income capitalisation method; and the fair value per room under the direct comparison method. The AC obtained assurance from the Management and concurred with the Management's conclusion that the disclosures in the financial statements were appropriate.
Classification and recoverable amount of property under development	The AC reviewed the projection of the total development cost and the gross development value (GDV) provided by the Management. In addition, the AC discussed with Management about the basis of the projections and discussed with the external auditors about the work that they have done as stated in the KAM. Following these discussions, the AC noted that these are best estimates of Management. The AC concurred with the Management's conclusion that the carrying amount of the property and classification of property under development as current asset in the financial statements were appropriate.

The Company has complied with Rule 712 and Rule 715 read with Rule 716 of the Listing Manual in the appointment of its auditor.

None of the AC members were previous partners or directors of the Company's external auditor, Deloitte & Touche LLP, within the last twelve months or hold any financial interest in the external auditor.

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WHISTLE-BLOWING POLICY

The Company has in place whistle-blowing policies by which staff may raise concerns about fraudulent activities, malpractices or improprieties within the Group, without fear of reprisal. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports can be sent to Corporate Affairs. The Company will treat all information received confidentially and protect the identity of all whistleblowers.

The AC reviews all whistleblowing complaints at its quarterly meetings to ensure independent, thorough investigation and appropriate follow up. There have been no significant incidents pertaining to whistle-blowing for the financial year ended 31 December 2016.

INTERNAL AUDIT – PRINCIPLE 13
The Company should establish an effective internal control function that is adequately resourced and independent of the activities it audits.

For the financial year ended 31 December 2016, the Company has in place an in-house internal audit (IA) function which reports directly to the AC Chairman and administratively to the Chief Operating Officer (COO), with the consent of the AC Chairman. IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the commencement of the internal audit work. The AC also meets the IA at least once a year without the presence of Management. The IA has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC ensures that the internal audit function has adequate resources and appropriate standing within the Company. The internal audits are performed by a staff with professional qualification and relevant experience. The IA performed his function with reference to the standards set by the Institute of Internal Auditors. All IA reports are circulated to the AC, the CEO, the COO and relevant Senior Management.

The AC approves the hiring, removal, evaluation and compensation of the internal audit staff. The AC also reviews annually the adequacy and effectiveness of the internal audit function.

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS – PRINCIPLE 14
Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Group is committed to treat all shareholders fairly and equitably. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed in a comprehensive, accurate and timely manner via SGXNET. The Company continues to strive towards improving the standard of disclosures and transparency to help shareholders make more informed investment decisions in respect of their investment in the Company.

Shareholders are entitled to attend and vote in person or by proxy at the general meetings of shareholders. Shareholders are also informed of the rules, including the voting procedures that govern the general meetings of shareholders. The Company's Articles allow a shareholder to appoint up to two proxies to attend, speak and vote at the general meetings of shareholders. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the AGM.

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COMMUNICATION WITH SHAREHOLDERS – PRINCIPLE 15
Companies should actively engage their shareholders and put in place an investor policy to promote in regular, effective and fair communication with shareholders.

The Board's investor policy is that all shareholders should be equally informed of all major developments, impacting the Group businesses and operations. Disclosure of information that is material or that may influence the share price of the Company, in compliance with the requirements of the Listing Manual, in a timely, fair and transparent manner.

Information is disseminated to shareholders through the following channels:

- Direct announcement via SGXNET systems and news release;
- Annual report and shareholder circulars; and
- Shareholders' meeting.

The Company has established a corporate website www.gphl.com.sg as an information resource centre for retail and institutional investors and for regular dialogue with the investors, such as to gather their views or inputs, and address their concerns through corporate email: IR@gphl.com.sg

The Company notifies investors in advance of the date of release of its financial results, through an SGXNET announcement.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business conditions, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET. For FY 2016, the Company is not proposing any dividend with a view towards conserving cash for future business growth.

CONDUCT OF SHAREHOLDER MEETING – PRINCIPLE 16
Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

All shareholders of the Company receive the notice of the AGM. The notice is also advertised in the newspaper and made available at the SGX-ST's. At the AGM, shareholders are given the opportunity to voice their views and ask Directors or the Management questions regarding the Company. The Company's Constitution provides that shareholders of the Company are allowed to vote in person or by way of duly appointed proxies.

All Directors are required to attend general meetings of shareholders and the Chairman of the Board and the respective Chairman of the AC, NC and RC are present and available to address shareholders' queries at these meetings. The external auditors will also be present at the AGMs to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

The Company provides for separate resolutions at general meetings on each substantial issue, including the re-election or re-appointment of each Director as a separate subject matter.

CORPORATE **GOVERNANCE REPORT**

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management, and such minutes are available to shareholders upon their request.

The Company put all the resolutions to vote by manual poll, all resolutions will be tallied and displayed on-screen to shareholders at the general meeting of shareholders. The total numbers and percentage of votes cast for or against the resolutions are also announced after the meeting via SGXNET.

DEALINGS IN SECURITIES

In compliance with Rule 1207 (19) of the Listing Manual issued by the SGX-ST, the Company has in place a policy prohibiting share dealings by Directors and Officers of the Company for the period of one month prior to the announcement of the Company's full-year results or two weeks prior to the announcement of quarterly results as the case may be, and ending on the date of the announcement of the relevant results. Directors and Officers are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading period. Also, the Officers of the Company are advised not to deal in the Company's securities on short-term considerations.

INTERESTED PARTY TRANSACTIONS (IPT)

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. All interested person transactions are subject to review by the AC.

Details of IPT for the year ended 31 December 2016 are as follows:

Name of interested person	Aggregate value of all IPT during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all IPT conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Fragrance Group Limited*		
– Rental of head office	$404,535/–	–
– Rental of a hotel	$159,545/–	–

* Expenses paid and payable to subsidiaries of Fragrance Group Limited, a related party in which a Director and/or Substantial Shareholder has interests.

The AC and the Board of Directors have reviewed the transactions and were satisfied that the terms were fair and reasonable and were not prejudicial to the interests of the Company and its minority shareholders.

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

The material contract entered into between the Group involving the interest of the Group's Substantial Shareholder and/or a Director, which has been subsisting as at the end of the financial year, is as follow:

Project Management Agreement dated 5 January 2016 entered into between the Company and Fragrance Group Limited in relation to the hotel development located at 36 (Lot 18) St Georges Terrace and 10-14 (Lots 19 and 50) Pier Street, Perth, Australia. The total project management fee is A$400,000 or 0.5% of the actual construction contract sum, whichever is more. The project management fee shall be paid over the course of 30 months from effective date.

Other than as disclosed, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the Group's CEO, any Director and/or Substantial Shareholder for the financial year ended 31 December 2016.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2016.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 45 to 86 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Koh Wee Meng
Ko Lee Meng
Khoo Chee Meng Mark
Periakaruppan Aravindan
Woo Peng Kong
Kau Jee Chu
Kwan Chee Wai

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interests are held	**Shareholdings registered in the name of directors**			**Shareholdings in which directors are deemed to have an interest**		
The Company	**At beginning of year**	**At end of year**	**At January 21, 2017**	**At beginning of year**	**At end of year**	**At January 21, 2017**
(Ordinary shares)						
Koh Wee Meng	680,250,000	688,120,000	688,120,000	58,800,000	58,800,000	58,800,000
Ko Lee Meng	5,466,160	6,499,920	6,499,920	2,109,600	2,109,600	2,109,600
Periakaruppan Aravindan	406,880	406,880	406,880	–	–	–

By virtue of Section 7 of the Singapore Companies Act, Dr Koh Wee Meng is deemed to have an interest in all the ordinary shares of the Company's wholly-owned subsidiaries.

DIRECTORS' STATEMENT

4 SHARE OPTIONS

a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

5 SHARE SCHEME

The Global Premium Hotels Performance Share Plan (The "Share Plan")

a) The Share Plan was approved on March 23, 2012.

b) The Share Plan is administered by the Remuneration Committee.

c) Participants who are eligible to participate in the Share Plan are the Group employees, Group executive directors and Group non-executive directors.

d) A participant's award under the Share Plan will be determined at the absolute discretion of the Remuneration Committee. The number of award shares to be granted to each employee, depends on, *inter alia*, the performance of our Company, our subsidiaries, the years of service and individual performance of the employee, the contribution of the employee to the success and development of our Company and/or our subsidiaries and the prevailing market conditions.

e) Awards granted under the Share Plan are performance-related and will typically vest only after the satisfactory completion of a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the Share Plan, and the length of the vesting period is determined on a case-by-case basis.

f) The total number of new shares which may be issued or shares which may be delivered pursuant to awards granted under the Share Plan, when added to the total number of new shares issued and issuable in respect of:

(i) all awards granted under the Share Plan; and

(ii) all shares, options or awards granted under any other share scheme of the Company then in force, shall not exceed 15% of the total issued shares of the Company (excluding treasury shares) on the day preceding the relevant date of award.

DIRECTORS' STATEMENT

g) The Share Plan shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum of ten years commencing on the date on which the Share Plan is adopted by shareholders in a general meeting.

h) At the end of the financial year, no award has been granted under the Share Plan.

6 AUDIT COMMITTEE

The Audit Committee of the Company, consisting of all independent directors, is chaired by Mr Woo Peng Kong, a lead independent director and includes Dr Kwan Chee Wai and Mr Kau Jee Chu. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and up to the date of this report to perform the following main functions:

a) review with the internal auditors their audit plans including the results of the internal auditors' review and evaluation of the system of internal accounting controls;

b) review the quarterly and year-end results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

c) review the effectiveness and adequacy of the internal control procedures addressing financial, operational and compliance risks including procedures for entering into hedging transactions;

d) review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position;

f) consider and recommend the appointment or re-appointment of the external and internal auditors and matters relating to the resignation or dismissal of the auditors;

g) review any interested person transactions as defined under the Listing Manual;

h) review any potential conflicts of interest;

i) undertake such other reviews and projects as may be requested by our Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

j) generally undertake such other functions and duties as may be required by statute or the Listing Manual.

DIRECTORS' STATEMENT

The Audit Committee has express power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

The Audit Committee has been given full access to the management and has reasonable resources to discharge its functions properly. It also has full discretion to invite any director or executive officer to attend its meetings.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

During the financial year under review, the Audit Committee also held meetings with the external and internal auditors without the presence of management.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Koh Wee Meng

....
Ko Lee Meng

March 15, 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GLOBAL PREMIUM HOTELS LIMITED

OPINION

We have audited the accompanying financial statements of Global Premium Hotels Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 86.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and of the financial position of the Company as at December 31, 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of *Professional Conduct and Ethics for Public Accountants* and *Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GLOBAL PREMIUM HOTELS LIMITED

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter(s)	How the matter was addressed in the audit
Valuation of hotel properties (Refer to Note 10 to the financial statements) The Group owns 23 hotel properties, which are classified as property, plant and equipment. The total value of $1,205,640,000 represents 96.8% of total assets at December 31, 2016. These hotel properties are stated at the values as at December 31, 2016, as estimated by independent professional valuer using both the income capitalisation method and the direct comparison method. The valuation involves significant judgement in key inputs such as projected net income that each of the hotel properties can generated and the appropriate capitalisation rate to apply to income under the income capitalisation method; and the fair value per room under the direct comparison method. Under the direct comparison method, adjustments are made for differences between the subject properties and comparable properties taking into consideration differences such as location, size, age of building, tenure of land, standard of facilities provided, performance indicators and dates of transactions. These adjustments are subjective. Any significant change to these variables may result in a significant impact on the value of the hotel properties and the corresponding fair value changes recorded in other comprehensive income.	We assessed the independence, objectivity and competency of the valuer. We read the valuation reports and discussed with the valuer the key assumptions and basis used for each of the valuation methodologies. We obtained the financial data relating to the income and expenses of each hotel provided to the valuer by management and compared them with management accounts. We considered the reasons for adjustments if any, made by the valuer to these data. We compared transacted values for comparable properties and evaluated the reasons and direction of adjustments of the values. We considered the adequacy of the descriptions in the financial statements about the key assumptions in the estimates, the inherent subjectivity of these assumptions and the relationships between the key unobservable inputs and fair values.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GLOBAL PREMIUM HOTELS LIMITED

KEY AUDIT MATTERS (Continued)

Key audit matter(s)	How the matter was addressed in the audit
Classification and recoverable amount of property under development (Refer to Note 9 to the financial statements)	
The Group owns a property in Perth and intends to develop a hotel with hotel apartments, restaurants and retail area on the site. At December 31, 2016, the cost of this property was $28,500,000 and represented 76.9% of total current assets. Management considers that it is appropriate to classify this property as current asset as the property is available for sale.	We discussed with management regarding their intent and considered whether there is any corollary arrangement which is inconsistent with the stated basis for classification of the property as current assets. We did not note any long term property lease arrangement or any arrangement for long term loans which may be indicative of long term investment.
No professional valuation report on the property has been obtained. Management determines that the cost of the property will be recoverable by projecting the gross development value ("GDV") of the planned development to demonstrate that it exceeds the total budgeted development cost at comfortable margins. Management's estimate of GDV is a judgemental estimate using a published research and forecast report on New South Wales hotels by a real estate firm as reference and making subjective adjustments to derive the estimated GDV.	We obtained an update on the physical status of the project. We read management's projection of total development cost and GDV. We discussed with management the basis of management's estimates and sighted sources of information.
Management's estimate of development cost includes an external architect's estimate of construction cost and other elements of development cost based on best estimates.	
Given the current status of the project (plan approved but no construction bids have been sought and no professional valuer has been engaged for valuation), these estimates of GDV and cost are best estimates of management used to demonstrate management's view that the cost of the property will eventually be recoverable.	

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GLOBAL PREMIUM HOTELS LIMITED

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GLOBAL PREMIUM HOTELS LIMITED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Wong-Yeo Siew Eng.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 15, 2017

STATEMENTS OF FINANCIAL POSITION

December 31, 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	5,643	5,002	41	38
Trade receivables	7	787	3,813	–	–
Other receivables	8	2,131	2,132	10	10
Property under/held for development	9	28,500	25,943	–	–
Total current assets		37,061	36,890	51	48
Non-current assets					
Property, plant and equipment	10	1,207,866	1,222,486	–	–
Subsidiaries	11	–	–	691,012	664,738
Derivative financial instrument	12	–	189	–	–
Other receivables	8	376	–	–	–
Total non-current assets		1,208,242	1,222,675	691,012	664,738
Total assets		1,245,303	1,259,565	691,063	664,786
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	13	1,380	1,687	–	–
Other payables	14	8,356	7,394	45,610	19,229
Term loans	15	17,331	19,801	–	–
Income tax payable		3,060	3,307	–	–
Derivative financial instrument	12	339	–	–	–
Total current liabilities		30,466	32,189	45,610	19,229
Non-current liabilities					
Other payables	14	–	–	1,012	1,163
Term loans	15	453,314	462,458	–	–
Deferred tax liabilities	16	32,376	36,388	–	–
Total non-current liabilities		485,690	498,846	1,012	1,163
Capital and reserves					
Share capital	17	263,692	263,692	263,692	263,692
Reserves	18	336,928	348,251	–	–
Retained earnings		128,527	116,587	380,749	380,702
Total equity		729,147	728,530	644,441	644,394
Total liabilities and equity		1,245,303	1,259,565	691,063	664,786

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	19	58,289	61,113
Cost of sales		(6,645)	(6,529)
Gross profit		51,644	54,584
Other operating income	20	1,150	1,828
Administrative expenses		(27,864)	(26,750)
Foreign exchange losses, net		(142)	(1,185)
Fair value change on derivative financial instrument		(84)	–
Finance costs	21	(9,659)	(10,234)
Profit before income tax		15,045	18,243
Income tax expense	22	(3,105)	(3,444)
Profit for the year – attributable to owners of the Company	23	11,940	14,799
Other comprehensive income, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of land and hotel buildings	10	(19,973)	(5,933)
Transfer of depreciation on revaluation of leasehold land and buildings to revaluation reserve	10	4,306	4,323
Income tax effects	16	4,089	1,372
		(11,578)	(238)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		576	–
Change in fair value of derivative financial instrument	18	(321)	190
Other comprehensive loss for the year, net of tax		(11,323)	(48)
Total comprehensive income for the year – attributable to owners of the Company		617	14,751
Basic and diluted earnings per share (cents)	24	1.13	1.41

See accompanying notes to the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

Year ended December 31, 2016

	Note	Share capital $'000	Revaluation reserve $'000	Merger reserve $'000	Hedging reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
Group								
Balance at January 1, 2015		263,692	903,327	(555,028)	–	–	107,048	719,039
Transaction with owners, recognised directly in equity								
Dividends paid	25	–	–	–	–	–	(5,260)	(5,260)
Total		–	–	–	–	–	(5,260)	(5,260)
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	14,799	14,799
Other comprehensive (loss) income for the year		–	(238)	–	190	–	–	(48)
Total		–	(238)	–	190	–	14,799	14,751
Balance at December 31, 2015		263,692	903,089	(555,028)	190	–	116,587	728,530
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	11,940	11,940
Other comprehensive (loss) income for the year		–	(11,578)	–	(321)	576	–	(11,323)
Total		–	(11,578)	–	(321)	576	11,940	617
Balance at December 31, 2016		263,692	891,511	(555,028)	(131)	576	128,527	729,147

STATEMENTS OF **CHANGES IN EQUITY**

Year ended December 31, 2016

	Note	Share capital $'000	Retained earnings $'000	Total $'000
Company				
Balance at January 1, 2015		263,692	384,407	648,099
Transaction with owners, recognised directly in equity				
Dividends paid	25	–	(5,260)	(5,260)
Total		–	(5,260)	(5,260)
Total comprehensive income for the year				
Profit for the year		–	1,555	1,555
Total		–	1,555	1,555
Balance at December 31, 2015		263,692	380,702	644,394
Total comprehensive income for the year				
Profit for the year		–	47	47
Total		–	47	47
Balance at December 31, 2016		263,692	380,749	644,441

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016

	Group	
	2016	2015
	$'000	$'000
Operating activities		
Profit before income tax	15,045	18,243
Adjustments for:		
Bad debts written off	–	14
Write back of doubtful receivables	–	(3)
Depreciation of property, plant and equipment	5,110	5,010
Amortisation of credit facility fees	129	128
Finance costs	9,659	10,234
Interest income	(39)	(781)
(Gain) loss on disposal of plant and equipment	(1)	5
Plant and equipment written off	15	76
Fair value change on derivative financial instrument	84	–
Operating cash flows before movements in working capital	30,002	32,926
Trade receivables	3,059	(2,207)
Other receivables	(309)	151
Trade payables	(307)	(159)
Other payables (Note A and Note B)	137	227
Property under/held for development (Note B)	(2,522)	(24,567)
Receipts from derivative financial instrument	130	–
Cash generated from operations	30,190	6,371
Interest paid (Note B)	(10,643)	(10,477)
Income tax paid	(3,275)	(4,090)
Net cash from (used in) operating activities	16,272	(8,196)
Investing activities		
Proceeds on disposal of plant and equipment	2	4
Purchase of property, plant and equipment (Note A)	(4,095)	(5,943)
Interest received	39	781
Net cash used in investing activities	(4,054)	(5,158)
Financing activities		
Proceeds from term loans	8,000	62,336
Repayment of term loans	(19,744)	(82,087)
Payment of transactions costs related to borrowings	(50)	(8)
Dividends paid	–	(5,260)
Net cash used in financing activities	(11,794)	(25,019)
Net increase (decrease) in cash and cash equivalents	424	(38,373)
Cash and cash equivalents at beginning of year	5,002	43,375
Effects of exchange rates changes on cash and cash equivalents	217	–
Cash and cash equivalents at end of year (Note 6)	5,643	5,002

CONSOLIDATED STATEMENT OF **CASH FLOWS**

Year ended December 31, 2016

Note A

Cash used in purchase of property, plant and equipment

	Group	
	2016	**2015**
	$'000	**$'000**
Acquisition during the year	6,173	5,814
Less: Amount yet to be paid included in other payables	(2,808)	(730)
Add: Payment for acquisition made in prior year	730	859
Purchase of property, plant and equipment	4,095	5,943

Note B

Of the property under/held for development, an amount of $427,000 remains unpaid as at December 31, 2016 (2015: $1,376,000).

Interest paid in statement of cash flows for 2016 includes $640,000 (2015: $Nil) capitalised in property under/held for development.

See accompanying notes to the financial statements.

NOTES TO **FINANCIAL STATEMENTS**

December 31, 2016

1 GENERAL

The Company (Registration No.201128650E) was incorporated in Singapore on September 19, 2011 with its principal place of business and registered office at 456 Alexandra Road, #25-01, Fragrance Empire Building, Singapore 119962. The Company was admitted to the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST") on April 26, 2012. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiaries are described in Note 11 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2016 were authorised for issue by the Board of Directors on March 15, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards ("FRSs") in Singapore.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2016, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*[2]
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*[2]
- FRS 116 *Leases*[3]
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*[1]

Consequential amendments were also made to various standards as a result of these new/revised standards.

1 Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

2 Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

3 Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.

Management has not early adopted any of the above new/amended FRS.

FRS 109 *Financial Instruments*

FRS 109 will replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Based on the existing profile of financial instruments (absence of equity and debt investments and absence of financial liabilities designated as "fair value to profit and loss") new requirements for classification and measurement of financial instruments under FRS 109 will have no effect on the Group.

In respect of hedge accounting, FRS 109 provides greater flexibility to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Should the present type and nature of hedging be existing on date of adoption of FRS 109, there will be no impact on the measurement and recognition of fair value changes.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FRS 109 *Financial Instruments* (Continued)

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

On adoption of FRS 109, the Group will need to account for expected credit losses and expect to use historical experience, modified by any future change such as customers' profile and payment modes.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity is entitled to in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Based on the existing sources of revenue as at December 31, 2016, management does not anticipate that the application of FRS 115 will have a material impact on the Group's financial statements. Further evaluation will be undertaken should the source of revenue change in the year when FRS 115 becomes effective.

FRS 116 *Leases*

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FRS 116 *Leases* (Continued)

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Upon adoption of FRS 116, the Group will recognise liabilities for non-cancellable operating lease commitments (other than those which fall within the exceptions stated above); and recognise a corresponding right of use asset to be amortised on a straight line basis over the lease period. Note 27 provides an indication of the nature and extent of lease commitments which fall within FRS 116.

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments required an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments applies prospectively to annual periods beginning on or after January 1, 2017. The application of these amendments will result in additional disclosures in the financial statements.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, regarded as the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Financial guarantees

The Company has issued corporate guarantees to financial institutions for borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the financial institutions if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus any transaction costs.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantees (Continued)

Financial guarantee contracts are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the financial institutions for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the financial institutions.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments and hedge accounting

The Group uses the following derivative financial instruments, an interest rate swap ("IRS") to hedge its risks associated with interest rate fluctuations and a foreign currency option contract to manage its exposure to foreign exchange rate risk (Note 12).

These financial derivatives are initially recognised at fair value on the contract date and are subsequently remeasured at their fair values at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The fair values of the derivatives are determined by reference to market value quoted by a bank at the reporting date.

The Group classifies the IRS as a cash flow hedge.

Cash flow hedge

A cash flow hedge refers to a hedge against exposure to variability in cash flows attributable to the hedged item.

At the inception of a hedge relationship, the Group formally designates the hedged item and documents the hedge relationship, the risk management objective and strategy for undertaking the hedge and documents how the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes of the hedged item is assessed. The effectiveness of the hedge is assessed on an on-going basis.

The fair value changes on the effective portion of the hedging instrument designated as a cash flow hedge is recognised in the hedging reserve, and any ineffective portion is recognised immediately in the profit or loss statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Cash flow hedge (Continued)

The amount taken to hedging reserve is transferred to the profit or loss statement when the hedged transaction affects profit or loss, such as when the finance cost on the borrowings are recognised in the profit or loss statement.

A fair value of the derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are recognised on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received as a lessee or granted as a lessor, such incentives are recognised as an asset or liability respectively. The incentives are recognised as reduction of rental expense or rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern for consumption of the economic benefits of the lease.

PROPERTY UNDER/HELD FOR DEVELOPMENT – Property under/held for development is stated at the lower of cost and net realisable value. Cost includes expenditure for acquisition of land and related expenditure necessarily incurred to acquire the property, develop and finance the development.

Foreseeable losses, if any, are provided as soon as they become known based on the management's estimates of net realisable value and estimates of cost to complete.

PROPERTY, PLANT AND EQUIPMENT – Freehold and leasehold land and hotel buildings held for generating the group's income are stated at their revalued amounts. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Any increase in value of freehold and leasehold land and hotel buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a decrease in value for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in value is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Other plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land	–	over the remaining lease periods (2016: 92 to 818 years/2015: 93 to 819 years)
Hotel buildings	–	over the remaining useful lives (2016: 44 to 60 years/2015: 45 to 60 years)
Motor vehicles	–	20%
Furniture, fixtures and fittings	–	20%
Office equipment	–	20%
Computers	–	20%
Electrical installation	–	20%
Renovations	–	20%

The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss. On the subsequent sale or derecognition of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

IMPAIRMENT OF TANGIBLE ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and other similar allowances.

Hotel room revenue is recognised upon occupancy of room at the amounts contracted with guests.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income from providing financial guarantee to financial institutions for credit facilities granted to certain wholly-owned subsidiaries are recognised in the profit or loss of the Company over the guarantee periods on a straight-line basis.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition and construction of properties, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT OBLIGATIONS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities; they relate to income taxes levied by the same taxation authority; and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

SEGMENT – An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group determines the operating segment based on information that is provided to the Chief Executive Officer ("CEO") for monitoring performance and allocating resources.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – Each group entity measures and presents its financial statements in its functional currency which is the currency of the primary economic environment that it operates in. The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of each reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the respective periods, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as stated below and except for judgements relating to accounting estimates.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of freehold and leasehold land and hotel buildings

Freehold and leasehold land and hotel buildings are stated at fair value based on independent professional valuations. In estimating fair values, the valuer has used both the income capitalisation method and the direct comparison method with each method used as a check against the other before deriving a value for each property. Details of both methods and the variables affecting valuations are described in Note 10. Any significant change to these variables, considered as Level 3 of the fair value hierarchy can have a significant impact on the valuations.

In relying on the valuation reports, management has exercised judgement and is satisfied that the independent valuer has appropriate recognised professional qualifications, is competent and has provided estimates which are reflective of current market conditions at the end of each reporting period.

Useful lives of hotel buildings

Hotel buildings are depreciated over 60 years from the year built or the year in which major renovations are made. Estimations of useful lives of hotel buildings are dependent on both physical and economic life spans and involve significant management judgements and accounting estimates.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial assets				
Derivative financial instrument	–	189	–	–
Loans and receivables (including cash and cash equivalents)	7,258	6,985	42	39
Financial liabilities				
Derivative financial instrument	339	–	–	–
Amortised cost	477,870	488,690	45,400	18,725
Financial guarantee contracts	–	–	1,222	1,667

(b) Financial risk management policies and objectives

The Group is exposed to various financial risks arising in the normal course of business. It has adopted risk management policies and utilises a variety of techniques to manage its exposure to these risks.

(i) Foreign exchange risk management

At December 31, 2016, the Group has $1,554,000 (2015: $22,000) of cash balance held in a subsidiary which has Australian dollar as the functional currency. Reasonably possible changes in exchange rates between Singapore dollar and Australian dollar are not expected to have a significant effect on the operating results of the Group.

(ii) Interest rate risk management

The Group manages its interest rate exposure by actively reviewing its debt portfolio and switching sources of funding to achieve a certain level of protection against interest hikes as well as using interest rate swap as cash flow hedge of future interest payments for one of the loans (Note 12).

The sensitivity analyses below have been determined based on the exposure to interest rates for the Group's term loans [refer to section (iv)]. Reasonably possible changes in interest for cash deposits will have immaterial effect and are not included in the sensitivity analysis.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management policies and objectives (Continued)

(ii) Interest rate risk management (Continued)

If interest rates had been 50 basis points higher or lower and all other variables held constant, the Group's profit before tax would decrease/increase by approximately $2,062,000 (2015: $2,114,000) respectively.

(iii) Credit risk management

The Group has adopted a policy of obtaining deposits to mitigate credit risk for trade receivables. There is no significant concentration of credit risk for trade receivables.

Cash is held with creditworthy financial institutions.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses, represent the Group's maximum exposure to credit risk.

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents to finance their activities. The Group finances its liquidity needs through internally generated cash flows and external long term financing.

At December 31, 2016, the Group had available $102,320,000 (2015: $13,050,000) of undrawn facilities.

In August 2013, the Company established a $300,000,000 multicurrency medium term note programme, under which the Company may issue notes from time to time. The Company has not issued any notes under this program as at December 31, 2016.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the estimated future interest included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

NOTES TO **FINANCIAL STATEMENTS**

December 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Non-derivative financial liabilities (Continued)

Group	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
2016						
Non-interest bearing	NA	7,225	–	–	–	7,225
Variable interest rate instruments	2.08	25,344	149,378	349,428	(53,505)	470,645
		32,569	149,378	349,428	(53,505)	477,870
2015						
Non-interest bearing	NA	6,431	–	–	–	6,431
Variable interest rate instruments	2.13	29,283	292,489	203,506	(43,019)	482,259
		35,714	292,489	203,506	(43,019)	488,690

Company

All liabilities of the Company are repayable on demand or within a year and do not bear interest.

Financial guarantees

The Company has provided financial guarantees totalling $549,818,000 (2015: $541,818,000) for repayment of loans taken by subsidiaries from financial institutions which are also secured by mortgage over properties of the subsidiaries.

Non-derivative financial assets

All financial assets in 2015 and 2016 for Group and Company are due within one year from the reporting period and are non-interest bearing except for cash balances as disclosed in Note 6.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management policies and objectives (Continued)

(v) Fair value of financial assets and financial liabilities

The carrying amounts of the Group's and Company's financial assets and liabilities approximate their fair values due to short tenures or floating interest rate applicable to long term financial liabilities.

The fair value of interest rate swap is determined based on present value of future cash flows based on forward interest rates (from observable yield curves at year end) and contracted rates. The fair value of foreign currency option contract is determined based on present value of future cash flows based on forward exchange rates (from observable forward exchange rates at year end) and contracted rates. The fair values of the interest rate swap and foreign currency option contract are classified as Level 2 of the fair value hierarchy.

(c) Capital risk management policies and objectives

The capital structure of the Group consists of capital and reserves and external borrowings from financial institutions.

The Group manages its capital structure to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

Management reviews the capital structure on a quarterly basis. As a part of the review, the management considers the cost of capital and the risks associated with each class of capital and ensures that the Group maintains certain security ratios to comply with the loan covenants imposed by financial institutions. Based on the review, the Group may modify its capital structure through the payment of dividends, new share issues, issue of new debt or the redemption of existing debts.

The Group's overall capital management strategy remains unchanged from prior year.

The Group monitors capital using the debt ratio as follows:

	Group	
	2016	2015
	$'000	$'000
Total assets	1,245,303	1,259,565
Total debt	470,645	482,259
Total equity	729,147	728,530
Debt-to-total assets ratio (times)	0.38	0.38
Debt-to-total equity ratio (times)	0.65	0.66

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

5 RELATED PARTY TRANSACTIONS

Related companies in these financial statements refer to the members of the Company's group of companies.

There are transactions and arrangements between the Company and the members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated. Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related company transactions.

Some of the Group's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The balances with related parties are unsecured, interest-free and repayable on demand unless stated otherwise.

In addition to the related party information disclosed elsewhere in the financial statements, the significant transactions with the related parties, on the terms agreed between the parties were as follows:

	Group	
	2016	2015
Related parties which have common directors	$'000	$'000
Rental expenses of office premises	405	264
Rental expenses of hotel premises	160	–
Project management service fee paid and payable	78	–

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the financial year were as follows:

	Group	
	2016	2015
	$'000	$'000
Short-term benefits	1,383	1,181
Post-employment benefits	106	92
	1,489	1,273

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash on hand	31	31	–	–
Cash at bank	5,612	4,971	41	38
	5,643	5,002	41	38

At December 31, 2016, cash balances at bank of approximately $3,014,000 (2015: $1,929,000) earned interest between 0.3% to 0.7% per annum (2015: 0.9% to 1.2%).

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

7 TRADE RECEIVABLES

	Group 2016 $'000	Group 2015 $'000
External parties	730	1,356
Goods and services tax receivable	57	2,457
	787	3,813

Certain customers place deposits and are granted a credit period of 30 days for rental of hotel rooms. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting date.

The table below is an analysis of the trade receivables as at the end of the reporting period:

	Group 2016 $'000	Group 2015 $'000
Not past due and not impaired	579	3,459
Past due but not impaired	208	354
Trade receivables not impaired	787	3,813
Total trade receivables, net	787	3,813

The aging profile of trade receivables which were past due but not impaired were as follows:

	Group 2016 $'000	Group 2015 $'000
Past due by:		
30 days to 60 days	110	229
60 days to 90 days	39	72
90 days to 120 days	59	53
	208	354

The Group has not recognised any allowance for the above receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Movement in the allowance for doubtful receivables:

	Group 2016 $'000	Group 2015 $'000
Balance at beginning of the year	–	3
Increase in allowance recognised in profit or loss	–	11
Amounts written off during the year	–	(14)
Balance at end of the year	–	–

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

8 OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Prepayments	1,622	1,505	9	9
Deposits	843	604	1	1
Others	42	23	–	–
	2,507	2,132	10	10
Less: Non-current portion of deposits	(376)	–	–	–
	2,131	2,132	10	10

9 PROPERTY UNDER/HELD FOR DEVELOPMENT

	Group	
	2016 $'000	2015 $'000
Land and other related costs	28,500	25,943

The property under/held for development as at December 31, 2016 is as follows:

Property and address	Description	Tenure	Approximate land area (square metre)
36 St. Georges Terrace 10 – 14 Pier Street, Perth, Australia	Mixed development	Freehold	2,600

Interest capitalised for property under/held for development during 2016 was $640,000 (2015: $Nil).

The property is available for sale and is therefore classified as a current asset.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

10 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Leasehold land $'000	Hotel buildings $'000	Motor vehicles $'000	Furniture, fixtures and fittings $'000	Office equipment $'000	Computer $'000	Electrical installation $'000	Renovations $'000	Total $'000
Group										
Cost or valuation:										
At January 1, 2015	849,785	260,970	110,870	197	983	821	1,313	310	2,012	1,227,261
Additions	–	–	4,558	–	466	124	455	211	–	5,814
Revaluation increase (decrease)	2,135	(3,330)	(4,738)	–	–	–	–	–	–	(5,933)
Disposals/written off	–	–	–	(14)	(31)	(68)	(601)	(71)	(82)	(867)
At December 31, 2015	851,920	257,640	110,690	183	1,418	877	1,167	450	1,930	1,226,275
Additions	–	–	5,363	–	332	124	61	51	242	6,173
Revaluation increase (decrease)	4,080	(15,790)	(8,263)	–	–	–	–	–	–	(19,973)
Disposals/written off	–	–	–	–	(70)	(8)	(32)	(43)	(3)	(156)
At December 31, 2016	856,000	241,850	107,790	183	1,680	993	1,196	458	2,169	1,212,319
Comprising:										
December 31, 2015										
At cost	–	–	–	183	1,418	877	1,167	450	1,930	6,025
At valuation	851,920	257,640	110,690	–	–	–	–	–	–	1,220,250
	851,920	257,640	110,690	183	1,418	877	1,167	450	1,930	1,226,275
December 31, 2016										
At cost	–	–	–	183	1,680	993	1,196	458	2,169	6,679
At valuation	856,000	241,850	107,790	–	–	–	–	–	–	1,205,640
	856,000	241,850	107,790	183	1,680	993	1,196	458	2,169	1,212,319
Accumulated depreciation:										
At January 1, 2015	–	–	–	187	394	483	910	174	1,736	3,884
Depreciation	–	2,275	2,048	4	196	112	195	60	120	5,010
Eliminated on revaluation	–	(2,275)	(2,048)	–	–	–	–	–	–	(4,323)
Disposals/written off	–	–	–	(8)	(22)	(62)	(562)	(69)	(59)	(782)
At December 31, 2015	–	–	–	183	568	533	543	165	1,797	3,789
Depreciation	–	2,263	2,043	–	288	131	204	80	101	5,110
Eliminated on revaluation	–	(2,263)	(2,043)	–	–	–	–	–	–	(4,306)
Disposals/written off	–	–	–	–	(55)	(7)	(32)	(43)	(3)	(140)
At December 31, 2016	–	–	–	183	801	657	715	202	1,895	4,453
Carrying amount:										
At December 31, 2016	856,000	241,850	107,790	–	879	336	481	256	274	1,207,866
At December 31, 2015	851,920	257,640	110,690	–	850	344	624	285	133	1,222,486

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

The freehold and leasehold land and hotel buildings are mortgaged to financial institutions to secure credit facilities for the Company and its subsidiaries (Note 15).

Fair value measurement of the Group's land and buildings

The fair values of the Group's land and buildings as at December 31, 2016 and December 31, 2015 were estimated by independent valuers, who have appropriate qualifications and relevant experience in the fair value measurement of the properties.

The fair value of the land and buildings was determined by adopting both the income capitalisation method and direct comparison method with each method used as a check against the other. In the income capitalisation method, estimated annual income net of expenses is capitalised at an appropriate rate of return to arrive at market value. The market yield is estimated after considering the nature of the property, location, tenure, financial performance of the property, investment risks and the prevailing market conditions. In the direct comparison method, the price per room of revalued properties were derived from the price per room for recent sales of comparable properties with adjustments made for differences in location, size, age of building, tenure of land, standard of facilities provided, performance indicators and dates of transactions.

The fair value measurements of the Group's land and buildings are classified within Level 3 of the fair value hierarchy.

Unobservable inputs which have the most significant impact on fair value measurement as at December 31, 2016 and 2015 were as follows:

Description	Fair value as at December 31, 2016	Fair value as at December 31, 2015	Valuation technique(s)	Significant unobservable input(s)	December 31, 2016	December 31, 2015
	$'000	$'000				
Land and hotel buildings	1,205,640	1,220,250	Direct comparison method	Value per room(1)	$414,000 – $870,975	$420,000 – $910,000
			Income capitalisation method	Capitalisation rate(2)	4.75% – 5.25%	4.75% – 5.25%

(1) Any significant increase or decrease in these inputs can result in a significantly higher or lower fair value respectively.

(2) Any significant increase or decrease in these inputs can result in a significantly lower or higher fair value respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

Had the freehold and leasehold land and hotel buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amounts would be as follows:

	Group	
	2016	2015
	$'000	$'000
Freehold land	149,792	149,792
Leasehold land	52,205	52,626
Hotel buildings	91,101	87,632

Details of properties held by the Group as at December 31, 2016 are as follows:

Properties and address	Tenure	Approximate land area (square metre)	Number of rooms
The Fragrance Hotel 219 Joo Chiat Road Singapore 427485	Freehold	672	90
Fragrance Hotel – Balestier 255 Balestier Road Singapore 329710	Freehold	245	48
Fragrance Hotel – Bugis 33 Middle Road Singapore 188942	999 years Leasehold	348	84
Fragrance Hotel – Classic 418 Balestier Road Singapore 329808	Freehold	265	48
Fragrance Hotel – Crystal 50 Lorong 18 Geylang Singapore 398824	Freehold	1,051	125
Fragrance Hotel – Emerald 20 Lorong 6 Geylang Singapore 399174	Freehold	818	126
Fragrance Hotel – Royal 400 Telok Blangah Road Singapore 098838	Freehold	278	32
Fragrance Hotel – Ruby 10 Lorong 20 Geylang Singapore 398730	Freehold	902	168

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

Properties and address	Tenure	Approximate land area (square metre)	Number of rooms
Fragrance Hotel – Sapphire 3 Lorong 10 Geylang Singapore 399037	Freehold	528	50
Fragrance Hotel – Imperial 28 Penhas Road Singapore 208187	Freehold	544	74
Fragrance Hotel – Kovan 760 Upper Serangoon Road Singapore 534629	Freehold	284	43
Fragrance Hotel – Lavender 51 Lavender Street Singapore 338710	Freehold	220	35
Fragrance Hotel – Oasis 435 Balestier Road Singapore 329816	Freehold	229	36
Fragrance Hotel – Ocean View 432 Pasir Panjang Road Singapore 118773	Freehold	256	47
Fragrance Hotel – Pearl 21 Lorong 14 Geylang Singapore 398961	Freehold	843	129
Fragrance Hotel – Rose 263 Balestier Road Singapore 329715	Freehold	400	68
Fragrance Hotel – Selegie[1] 183 Selegie Road Singapore 188329	Freehold	468	95
Fragrance Hotel – Sunflower 10 Lorong 10 Geylang Singapore 399043	Freehold	323	27
Fragrance Hotel – Viva 75 Wishart Road Singapore 098721	Freehold	300	33

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

Properties and address	Tenure	Approximate land area (square metre)	Number of rooms
Fragrance Hotel – Waterfront 418 Pasir Panjang Road Singapore 118759	Freehold	478	57
Fragrance Hotel – Riverside 20 Hongkong Street Singapore 059663	99 years Leasehold	462	101
Parc Sovereign Hotel 175 Albert Street Singapore 189970	99 years Leasehold	1,165	172
Parc Sovereign Hotel – Tyrwhitt 165 Tyrwhitt Road Singapore 207569	Freehold	2,032	270

(1) This property is under renovation as at December 31, 2016. The number of rooms decreased from 120 to 95, following certain conversion works.

11 SUBSIDIARIES

	Company 2016 $'000	Company 2015 $'000
Unquoted equity shares, at cost	609,128	592,128
Deemed interest arising from fair value of financial guarantees	3,282	3,211
Additional capital contributions to subsidiaries	78,602	69,399
	691,012	664,738

Deemed interest represents the fair value of financial guarantees provided by the Company to financial institutions for repayment of loans borrowed by its subsidiaries. Management estimated the fair value of the financial guarantees at 1% (2015: 1%) per annum of the guaranteed loans, discounted to present value at 4.75% (2015: 4.75%) per annum over the tenure of loans from the dates when the financial guarantees were issued.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

11 SUBSIDIARIES (Continued)

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiaries	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activities
		2016	2015	2016	2015	
		%	%	%	%	
Held by the Company						
GP Hotel Capital Pte Ltd(1)	Singapore	100	100	100	100	Long term investment in hotel properties
GP Hotel Ventures Pte Ltd(1)	Singapore	100	100	100	100	Long term investment in hotel properties
GP Hotel Investment Pte Ltd(1)	Singapore	100	100	100	100	Long term investment in hotel properties
GP Hotel Assets Pte Ltd(1)	Singapore	100	100	100	100	Long term investment in hotel properties
GP Hotel Heritage Pte Ltd(1)	Singapore	100	100	100	100	Long term investment in hotel properties
GP Hotel Properties Pte Ltd(1)	Singapore	100	100	100	100	Dormant (set up as an investment holding company)
Fragrance Hotel Management Pte Ltd(1)	Singapore	100	100	100	100	Hotel operations
Parc Sovereign Hotel Management Pte Ltd(1)	Singapore	100	100	100	100	Dormant (previously engaged in hotel operations)
GP Hotel Equity Pte Ltd(1)	Singapore	100	100	100	100	Investment holding
Held by GP Hotel Equity Pte Ltd						
GP Hotel Australia Pty Ltd(3)	Australia	100	100	100	100	Investment holding
Held by GP Hotel Australia Pty Ltd						
GP Hotel Perth WA Pty Ltd(3)	Australia	100	100	100	100	Property development
GP Hotel Launceston TAS Pty Ltd(2)(3)	Australia	100	–	100	–	Property development/ Investment holding

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Incorporated during the year.

(3) Audited by Deloitte & Touche LLP, Singapore for consolidation purposes.

NOTES TO **FINANCIAL STATEMENTS**

December 31, 2016

12 DERIVATIVE FINANCIAL INSTRUMENT

	Group			
	2016		2015	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Interest rate swap, designated as a cash flow hedge	–	125	189	–
Foreign currency option contract	–	214	–	–
	–	339	189	–
Analysed as:				
Current	–	339	–	–
Non-current	–	–	189	–
	–	339	189	–

In 2015, a subsidiary entered into an interest rate swap with a bank to swap the cash flows for floating rate interest on a bank loan to fixed rate cash flows. The notional amount of the swap steps down with each instalment repayment of the loan. The swap terminates in May 2017.

At December 31, 2016, the notional amount of the interest rate swap was $58,275,000 (2015: $59,725,000).

At December 31, 2016, the notional amount of the foreign currency option contract was $50,000,000. The change in the fair value of the currency derivative amounting to $84,000 has been charged to profit or loss in the year (Note 23).

13 TRADE PAYABLES

	Group	
	2016 $'000	2015 $'000
External parties	602	978
Goods and services tax payable	778	709
	1,380	1,687

The credit period for trade payables is generally 14 to 30 days (2015: 14 to 30 days).

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

14 OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Accruals	6,330	4,938	367	375
Withholding income tax on staff costs	78	112	–	–
Deposits received in advance	1,655	1,829	–	–
Advances from subsidiaries (Note 5)	–	–	45,033	18,350
Fair value of financial guarantee	–	–	1,222	1,667
Others	293	515	–	–
	8,356	7,394	46,622	20,392
Less: Non-current portion of financial guarantee at fair value	–	–	(1,012)	(1,163)
	8,356	7,394	45,610	19,229

15 TERM LOANS

	Group	
	2016	2015
	$'000	$'000
Term loans, at amortised cost	470,645	482,259
Less: Amount due for settlement within 12 months (shown under current liabilities)	(17,331)	(19,801)
Amount due for settlement after 12 months	453,314	462,458

At December 31, 2016, the Group's term loans from financial institutions bear floating interest rates ranging from 1.67% to 2.50% (2015: 1.80% to 2.50%) per annum. The term loans are secured against the properties of the Group with aggregate fair values of $1,205,640,000 (2015: $1,220,250,000) (Note 10) and corporate guarantees by the Company (Note 11).

The carrying amounts of the long term loans approximate their fair values as the interest rates float with market rates.

NOTES TO **FINANCIAL STATEMENTS**

December 31, 2016

16 DEFERRED TAX LIABILITIES

The components of deferred tax and the changes in the year were as follows:

	Accelerated tax depreciation $'000	Revaluation of leasehold land and hotel building $'000	Total $'000
Group			
At January 1, 2015	122	37,596	37,718
Credit to other comprehensive income for the year	–	(1,372)	(1,372)
Charge to profit or loss for the year (Note 22)	42	–	42
At December 31, 2015	164	36,224	36,388
Credit to other comprehensive loss for the year	–	(4,089)	(4,089)
Charge to profit or loss for the year (Note 22)	77	–	77
At December 31, 2016	241	32,135	32,376

Deferred tax liabilities have been provided based on the expectation that the carrying amount of the revalued properties will be recovered through use.

17 SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning and end of year	1,052,000,000	1,052,000,000	263,692	263,692

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

18 RESERVES

	Revaluation reserve $'000	Merger reserve $'000	Hedging reserve $'000	Translation reserve $'000	Total $'000
Group					
At January 1, 2015	903,327	(555,028)	–	–	348,299
(Credit) charge to other comprehensive (loss) income for the year	(238)	–	190	–	(48)
At December 31, 2015	903,089	(555,028)	190	–	348,251
(Credit) charge to other comprehensive (loss) income for the year	(11,578)	–	(321)	576	(11,323)
At December 31, 2016	891,511	(555,028)	(131)	576	336,928

Revaluation reserve

The revaluation reserve arises on the revaluation of land and hotel buildings classified as property, plant and equipment. The revaluation reserve is not available for distribution to the Company's shareholders. Revaluation reserve attributable to each property will be transferred directly to retained earnings upon sale of that property and the gains realised become available for distribution to shareholders.

Merger reserve

Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Company and the purchase consideration paid by the Company for the acquisition, using the principles of merger accounting applicable to business combination under common control.

Hedging reserve

Positive or negative balance in hedging reserve represents hedging gains or losses respectively recognised on the effective portion of cash flow hedges. The relevant amount in the hedging reserves is reclassified to profit or loss when the hedged transaction impacts the profit or loss.

Translation reserve

On translation of functional currency amounts in the subsidiaries' financial statements into Singapore dollars, for reporting of consolidated financial information in Singapore dollars (using the principles set out in the accounting policy note), any currency translation difference is accounted for as other comprehensive income or loss; and accumulated in foreign currency translation reserve, a component of equity.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

19 REVENUE

	Group	
	2016	2015
	$'000	$'000
Hotel room revenue	57,175	60,000
Rental revenue	1,114	1,113
	58,289	61,113

Rental revenue is derived from rental of segregated spaces in hotel buildings to commercial tenants.

20 OTHER OPERATING INCOME

	Group	
	2016	2015
	$'000	$'000
Income from vending machines and internet services	53	123
Interest income from bank balances and deposits	39	781
Rental of facilities within hotel	176	200
Others	882	724
	1,150	1,828

21 FINANCE COSTS

	Group	
	2016	2015
	$'000	$'000
Interest on term loans	9,659	10,234

22 INCOME TAX

	Group	
	2016	2015
	$'000	$'000
Current tax	2,993	3,216
Deferred tax (Note 16)	39	42
Under provision of current tax in prior years	35	186
Under provision of deferred tax in prior years (Note 16)	38	–
Total tax expense	3,105	3,444

Income tax rate is calculated at 17% (2015: 17%) of the estimated assessable profit for the year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

22 INCOME TAX (Continued)

The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2016	2015
	$'000	$'000
Profit before income tax	15,045	18,243
Income tax expense at 17% (2015: 17%)	2,558	3,101
Effect of expenses that are not deductible in determining taxable profit	934	871
Effect of income exempted from tax	(155)	(299)
Effect of tax concessions[1]	(335)	(428)
Under provision of current tax in prior years	35	186
Under provision of deferred tax in prior years	38	–
Others	30	13
	3,105	3,444

(1) This mainly relates to the allowances from Section 14Q of Income Tax Act and the Productivity and Innovation Credits (PIC) scheme.

23 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2016	2015
	$'000	$'000
Employee benefits expense (including directors' remuneration)	15,461	14,752
Costs of defined contribution plans included in employee benefits expense	2,172	2,056
Directors' remuneration included in employee benefits expense	793	496
Directors' fees	270	270
Foreign exchange losses, net	142	1,185
Audit fees	108	109
Non-audit fees of auditors	32	35
Write back of doubtful receivables	–	(3)
Bad debts written off	–	14
Amortisation of fees paid for credit facilities	129	128
Depreciation of property, plant and equipment	5,110	5,010
(Gain) loss on disposal of plant and equipment	(1)	5
Plant and equipment written off	15	76
Fair value change on derivative financial instrument	84	–

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

24 EARNINGS PER SHARE

	Group	
	2016	**2015**
Basic and diluted earnings per share (cents)	1.13	1.41

The calculation of the earnings per share attributable to the ordinary equity holders of the Group is based on the following data:

	Group	
	2016	**2015**
	$'000	**$'000**
Net profit attributable to equity holders	11,940	14,799

	2016	**2015**
	Number of shares ('000)	
Number of ordinary shares	1,052,000	1,052,000

There are no dilutive shares for 2016 and 2015.

25 DIVIDENDS PAID

During the financial year ended December 31, 2015, the Company declared and paid a final tax-exempt dividend of $0.005 per ordinary share amounting to $5,260,000 for the financial year ended December 31, 2014.

26 SEGMENT INFORMATION

The CEO, who is the chief operating decision maker, reviews, allocates resources and assesses performance of the portfolio of all hotels in Singapore collectively and there is only one business operating unit.

Geographical information and information about major customers

The Group's hotel operations are solely in Singapore and revenue is spread over a broad base of customers. There is negligible rental revenue from laneway and pre-existing building yet to be demolished at the development site in Perth (Note 9). The group has incurred cost of $28,500,000 (2015: $25,943,000) for this property.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

27 OPERATING LEASE ARRANGEMENTS

The Group as lessor

The Group rents out its properties under operating leases. Rental income earned during the year was $1,290,000 (2015: $1,304,000).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease income:

	Group	
	2016	**2015**
	$'000	**$'000**
Within one year	914	1,051
In the second to fifth year inclusive	858	442
	1,772	1,493

The Group as lessee

	Group	
	2016	**2015**
	$'000	**$'000**
Payment recognised as an expense during the year	770	493

At the end of the reporting period, the Group has outstanding commitments for the lease of office premises, a hotel operated under the Klapstar brand and staff accommodation under non-cancellable operating lease, which fall due as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Within one year	948	565
In the second to fifth year inclusive	405	814
	1,353	1,379

28 CAPITAL COMMITMENTS

	Group	
	2016	**2015**
	$'000	**$'000**
Estimated amounts committed/contracted but not provided for in the financial statements	10,385	–

The above amount is related to the estimated contracted construction cost of property in Perth, Australia and commitment of acquisition of property in Tasmania, Australia.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

29 SUBSEQUENT EVENT

On February 23, 2017, the Company announced that JK Global Capital Pte. Ltd. (the "Offeror") will make a voluntary conditional cash offer for all the issued shares of the Company at an offer price of $0.365 per share payable in cash (the "Offer"). The sole shareholder and director of the Offeror is Dr Koh Wee Meng ("Dr Koh"). Dr Koh and his spouse hold an aggregate of 746,920,000 shares representing 71% of the issued capital of the Company. The announcement of the Offer states that each of Dr Koh and his spouse has provided an irrevocable undertaking to accept the Offer.

SHAREHOLDING **STATISTICS**

As at 1 March 2017

Shareholders' Information

No. of issued shares	:	1,052,000,000
Issued and fully paid-up	:	$263.69 million
Class of shares	:	Ordinary Shares
Voting rights	:	On a poll: One vote for each ordinary share

Distribution of Shareholders by Size of Shareholdings

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	51	1.53	2,634	0.00
100 – 1,000	547	16.45	352,542	0.03
1,001 – 10,000	1,604	48.23	6,525,905	0.62
10,001 – 1,000,000	1,088	32.71	90,255,149	8.58
1,000,001 AND ABOVE	36	1.08	954,863,770	90.77
TOTAL	**3,326**	**100.00**	**1,052,000,000**	**100.00**

Twenty Largest Shareholders

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	KOH WEE MENG	538,120,000	51.15
2	DBS NOMINEES PTE LTD	167,433,470	15.92
3	LIM WAN LOOI	58,800,000	5.59
4	2G CAPITAL PTE LTD	35,000,000	3.33
5	OCBC SECURITIES PRIVATE LTD	26,656,320	2.53
6	TAN SU KIOK OR SIA LI WEI JOLIE (SHE LIWEI JOLIE)	17,038,060	1.62
7	CIMB SECURITIES (SINGAPORE) PTE LTD	12,031,295	1.14
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,671,080	1.11
9	RAFFLES NOMINEES (PTE) LTD	9,612,520	0.91
10	CITIBANK NOMINEES SINGAPORE PTE LTD	6,317,199	0.60
11	MAYBANK KIM ENG SECURITIES PTE LTD	5,742,886	0.55
12	NEO AIK PENG	5,622,000	0.53
13	KOH KOW TEE MICHAEL	5,043,000	0.48
14	SEE HUNG YEE	5,000,000	0.48
15	LEE AH POY	4,955,440	0.47
16	LIM KWEE HUA (LIN GUIHUA)	4,385,560	0.42
17	PRECISE DEVELOPMENT PTE LTD	4,000,000	0.38
18	JIMMY LEE PENG SIEW	3,960,960	0.38
19	ONG ZHEN YUAN	3,700,000	0.35
20	UOB KAY HIAN PTE LTD	3,576,640	0.34
	TOTAL	**928,666,430**	**88.28**

SHAREHOLDING STATISTICS

As at 1 March 2017

Substantial Shareholders

	Direct Interest	%	Indirect Interest	%
Koh Wee Meng[1]	688,120,000[2]	65.41	58,800,000	5.59
Lim Wan Looi[1]	58,800,000	5.59	688,120,000[2]	65.41

Notes:

(1) Ms Lim Wan Looi is the spouse of Dr Koh Wee Meng. Each of them deemed to be interested in the shares held by each other.

(2) Of the 688,120,000 shares in which Dr Koh Wee Meng has an interest, 150,000,000 shares are held through DBS Nominees Pte Ltd.

Shareholdings held in the hands of the public

Based on information available to the Company as at 1 March 2017, approximately 25.62% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

PARTICULARS OF **PROPERTIES OWNED BY THE GROUP**

as at December 31, 2016

A Classified as Property under Development (Note 9 to the financial statements)

Location	Tenure	Approximate Land Area (Sqm)	Type	Effective Stake
36 St. Georges Terrace 10-14 Pier Street, Perth, Australia	Freehold	2,600	Mixed development	100%

B Classified as Property, Plant and Equipment (Note 10 to the financial statements)

Name and Address	Tenure	Approximate Land Area (Sqm)	Approximate Gross Floor Area (Sqm)	No of Rooms	Effective Stake
The Fragrance Hotel 219 Joo Chiat Road Singapore 427485	Freehold	672	2,105	90	100%
Fragrance Hotel – Balestier 255 Balestier Road Singapore 329710	Freehold	245	890	48	100%
Fragrance Hotel – Bugis 33 Middle Road Singapore 188942	999 years leasehold	348	1,575	84	100%
Fragrance Hotel – Classic 418 Balestier Road Singapore 329808	Freehold	265	841	48	100%
Fragrance Hotel – Crystal 50 Lorong 18 Geylang Singapore 398824	Freehold	1,051	3,360	125	100%
Fragrance Hotel – Emerald 20 Lorong 6 Geylang Singapore 399174	Freehold	818	2,677	126	100%
Fragrance Hotel – Imperial 28 Penhas Road Singapore 208187	Freehold	544	1,714	74	100%
Fragrance Hotel – Kovan 760 Upper Serangoon Road Singapore 534629	Freehold	284	850	43	100%
Fragrance Hotel – Lavender 51 Lavender Street Singapore 338710	Freehold	220	658	35	100%
Fragrance Hotel – Oasis 435 Balestier Road Singapore 329816	Freehold	229	687	36	100%
Fragrance Hotel – Ocean View 432 Pasir Panjang Road Singapore 118773	Freehold	256	875	47	100%

PARTICULARS OF **PROPERTIES OWNED BY THE GROUP**

as at December 31, 2016

Name and Address	Tenure	Approximate Land Area (Sqm)	Approximate Gross Floor Area (Sqm)	No of Rooms	Effective Stake
Fragrance Hotel – Pearl 21 Lorong 14 Geylang Singapore 398961	Freehold	843	2,582	129	100%
Fragrance Hotel – Rose 263 Balestier Road Singapore 329715	Freehold	400	1,179	68	100%
Fragrance Hotel – Royal 400 Telok Blangah Road Singapore 098838	Freehold	278	656	32	100%
Fragrance Hotel – Ruby 10 Lorong 20 Geylang Singapore 398730	Freehold	902	2,919	168	100%
Fragrance Hotel – Sapphire 3 Lorong 10 Geylang Singapore 399037	Freehold	528	1,524	50	100%
Fragrance Hotel – Selegie* 183 Selegie Road Singapore 188329	Freehold	468	2,128	95	100%
Fragrance Hotel – Sunflower 10 Lorong 10 Geylang Singapore 399043	Freehold	323	733	27	100%
Fragrance Hotel – Viva 75 Wishart Road Singapore 098721	Freehold	300	668	33	100%
Fragrance Hotel – Waterfront 418 Pasir Panjang Road Singapore 118759	Freehold	478	1,024	57	100%
Fragrance Hotel – Riverside 20 Hongkong Street Singapore 059663	99 years leasehold	462	2,156	101	100%
Parc Sovereign Hotel 175 Albert Street Singapore 189970	99 years leasehold	1,165	4,075	172	100%
Parc Sovereign Hotel – Tyrwhitt 165 Tyrwhitt Road Singapore 207569	Freehold	2,032	6,962	270	100%

The above additional information are provided in compliance with Rule 1207 (11) of the Listing Manual.

* This property is under renovation as at December 31, 2016. The number of rooms decreased from 120 to 95, following certain conversion works.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Global Premium Hotels Limited will be held on 18 April 2017 at 9.00 a.m. at 456 Alexandra Road, #02-03, Fragrance Empire Building, Singapore 119962, to transact the following business:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **[Resolution 1]**

2. To approve the proposed Directors' fee of $270,000/- for the financial year ended 31 December 2016. [2015: $270,000/-] **[Resolution 2]**

3. To re-elect the following Directors who retire pursuant to the Company's Constitution:–

   (a) Mr Periakaruppan Aravindan {retiring pursuant to Article 89} **[Resolution 3]**

   (b) Mr Kau Jee Chu {retiring pursuant to Article 89} **[Resolution 4]**

4. To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 5]**

5. To transact any other ordinary business that may be properly transacted at the Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions with or without modification, of which Resolutions 6, 7 and 8 will be proposed as Ordinary Resolutions and Resolution 9 be proposed as a Special Resolution:–

6. Authority to allot and issue shares up to 50% of the total issued shares excluding treasury shares of the Company.

   "THAT pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be and are hereby authorised to allot and issue new shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS that the aggregate number of shares and convertible securities to be allotted and issued pursuant to this Resolution shall not exceed 50% of the total issued shares excluding treasury shares of the Company, of which the aggregate number of shares and convertible securities to be allotted and issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed 20% of the total issued shares excluding treasury shares of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date on which the Company's next Annual General Meeting is required by law or by the Constitution of the Company to be held, whichever is the earlier." **[Resolution 6]**
   [See Explanatory Note on Special Business (i)]

NOTICE OF ANNUAL GENERAL MEETING

7. Authority to issue shares under the Global Premium Hotels Performance Share Plan.

   "THAT pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be and are hereby authorised to offer and grant Awards in accordance with the rules of the Global Premium Hotels Performance Share Plan (the "Plan") and to allot and issue from time to time such number of fully-paid shares in the Company as may be required to be allotted and issued pursuant to the vesting of the Awards under the Plan, provided that the aggregate number of shares to be allotted and issued pursuant to the Plan, when added to the number of shares issued and issuable in respect of all Awards granted under the Plan, and all shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force, shall not exceed 15% of the total issued shares excluding treasury shares of the Company on the day preceding the date on which the Award shall be granted." **[Resolution 7]**
   [See Explanatory Note on Special Business (ii)]

8. Renewal of the Share Purchase Mandate

   "THAT

   (a) for the purpose of the Companies Act, Cap. 50 (the "**Companies Act**"), the exercise by the Directors of all powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

      (i) on-market purchase(s) (each an "**On-Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

      (ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

      and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

   (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

   (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

      (i) the date on which the Company's next Annual General Meeting is held, or required by law or by the Constitution of the Company to be held; or

NOTICE OF ANNUAL GENERAL MEETING

(ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated.

In this Ordinary Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share for the five (5) consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such stock exchange on which the Shares are listed and quoted, immediately preceding the date of the On-Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five (5) Market Days;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"**Market Day**" means a day on which the SGX-ST is open for securities trading;

"**Maximum Limit**" means that number of issued Shares representing 10% of the total issued Shares excluding treasury shares of the Company as at the date of the passing of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of an On-Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 110% of the Average Closing Price; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution." **[Resolution 8]**
[See Explanatory Note on Special Business (iii)]

9. Adoption of the new Constitution of the Company (as Special Resolution)

"THAT

(a) the regulations contained in the new Constitution of the Company as set out in Appendix A of the Circular dated 24 March 2017 accompanying this Notice of Annual General Meeting be and are hereby approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution of the Company; and

NOTICE OF **ANNUAL GENERAL MEETING**

(b) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution." **[Resolution 9]**
[See Explanatory Note on Special Business (iv)]

By Order of the Board

Keloth Raj Kumar (Mr)
Company Secretary

Singapore,
24 March 2017

Notes:–

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. Members wishing to vote by proxy/proxies at the Annual General Meeting may use the proxy form enclosed. The completed proxy form must be deposited at the Registered Office of the Company at 456 Alexandra Road #25-01 Fragrance Empire Building Singapore 119962 not less than 48 hours before the time appointed for the Annual General Meeting.

Notes to item no. 3:–

(a) Mr Periakaruppan Aravindan is a Non-Executive Director. He will continue in the said capacity upon re-election as a Director of the Company.

(b) Mr Kau Jee Chu is an Independent Director, the Chairman of the Nominating Committee and a member of the Audit Committee. He will continue in the said capacities upon re-election as a Director of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:–

(i) In the proposed **Resolution 6** above, the percentage is calculated based on the total issued shares excluding treasury shares of the Company at the time of the passing of the resolution approving the mandate after adjusting for:– (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate; and (c) any subsequent bonus issue, consolidation or subdivision of shares. The proposed **Resolution 6**, if passed, will empower the Directors from the date of the passing of the proposed **Resolution 6** until the date of the Company's next Annual General Meeting or the date on which the Company's next Annual General Meeting is required by law or by the Constitution of the Company to be held, whichever is the earlier, to allot and issue new shares in the Company (whether by way of rights, bonus or otherwise). The number of shares which the Directors may issue under the proposed **Resolution 6** shall not exceed 50% of the total issued shares excluding treasury shares of the Company. For issue of shares other than on a *pro rata* basis to all existing shareholders of the Company, the aggregate number of shares and

NOTICE OF **ANNUAL GENERAL MEETING**

convertible securities to be allotted and issued shall not exceed 20% of the total issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the Company's next Annual General Meeting or the date on which the Company's next Annual General Meeting is required by law or by the Constitution of the Company to be held, whichever is the earlier.

(ii) The proposed **Resolution 7**, if passed, will empower the Directors from the date of the passing of the proposed **Resolution 7** until the Company's next Annual General Meeting or the date on which the Company's next Annual General Meeting is required by law or by the Constitution of the Company to be held, whichever is the earlier, to issues shares up to an amount in aggregate not exceeding 15% of the total issued shares excluding treasury shares of the Company from time to time pursuant to the vesting of the awards under the Global Premium Hotels Performance Share Plan.

(iii) The proposed **Resolution 8**, if passed, will empower the Directors from the date of the passing of the proposed **Resolution 8** until the Company's next Annual General Meeting or the date on which the Company's next Annual General Meeting is required by law or by the Constitution of the Company to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares in the capital of the Company as at the date of the passing of the proposed **Resolution 8** at such price(s) up to the Maximum Price (as defined in the proposed **Resolution 8** above). Detailed information on the Share Purchase Mandate (as defined in the proposed **Resolution 8** above), including the sources of funds to be used for the purchase or acquisition, the amount of financing (if any) and the illustrative financial impact on the Company's financial position, is set out in the Circular dated 24 March 2017 accompanying this Notice of Annual General Meeting.

(iv) The Special Resolution proposed under the proposed **Resolution 9**, is for the Company to adopt a new Constitution following the wide-ranging changes to the Companies Act, Cap. 50 as well as to align the Company's Constitution to the requirements of the listing manual of the SGX-ST, among others. Please refer to the Circular dated 24 March 2017 accompanying this Notice of Annual General Meeting for further information.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM

GLOBAL PREMIUM HOTELS LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 201128650E

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy Global Premium Hotels Limited's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF investors should contact their respective agent banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

I/We ______________________________ NRIC/Passport No. ______________

of ____

being a *member/members of Global Premium Hotels Limited, hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

*and/or failing him/her/them

as *my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 18 April 2017 at 9.00 a.m. at 456 Alexandra Road #02-03 Fragrance Empire Building Singapore 119962 and at any adjournment thereof.

The proxy is required to vote as indicated with an "√" on the resolutions set out in the Notice of Annual General Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolution	For**	Against**
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditor's Report thereon.		
2.	To approve the proposed Directors' Fees of $270,000/- for the financial year ended 31 December 2016. [2015:$270,000/-]		
3.	To re-elect Mr Periakaruppan Aravindan as a Director. {retiring pursuant to Article 89}		
4.	To re-elect Mr Kau Jee Chu as a Director. {retiring pursuant to Article 89}		
5.	To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.		
6.	Authority to allot and issue shares up to 50% of the total issued shares excluding treasury shares of the Company.		
7.	Authority to issue shares under the Global Premium Hotels Performance Share Plan.		
8.	Renewal of the Share Purchase Mandate.		
9.	Adoption of the new Constitution of the Company (as Special Resolution).		

* *Delete accordingly*

** *Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (√) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant Resolution, please insert the relevant number of Shares in the boxes provided*

Signed this __________ day of ________________ 2017

Total number of Shares held in CDP Register

____

Signature(s) of member(s) or
Common Seal of corporate shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor is a corporation under its common seal or under the hand of its attorney.

5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. The appointment of a proxy or proxies by this instrument shall not preclude a member from attending and voting in person at the Annual General Meeting. If a member attends the Annual General Meeting in person the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the Annual General Meeting.

7. An instrument appointing a proxy must be deposited at the registered office of the Company 456 Alexandra Road #25-01 Fragrance Empire Building Singapore 119962 not less than 48 hours before the time appointed for holding the Annual General Meeting.

8. The Company shall be entitled to reject this instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms as set out in the Notice of Annual General Meeting.

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