#Sure CanDo

HOTEL ROYAL LIMITED

ANNUAL REPORT 2021

Corporate Information

BOARD OF DIRECTORS

Mr Yang Wen-Wei
Independent Non-Executive Chairman

Dr Tan Kim Song
Independent Non-Executive Director

Mr Lee Khin Tien
Non-Executive Director

Mr Lee Kin Hong
Non-Executive Director

Dr Lee Chu Muk
Non-Executive Director

Mr Lee Chou Hor George
Non-Executive Director

AUDIT AND RISK COMMITTEE

Dr Tan Kim Song (Chairman)
Mr Yang Wen-Wei
Mr Lee Khin Tien

REMUNERATION COMMITTEE

Mr Yang Wen-Wei (Chairman)
Dr Tan Kim Song
Mr Lee Khin Tien

NOMINATING COMMITTEE

Mr Yang Wen-Wei (Chairman)
Dr Tan Kim Song
Mr Lee Khin Tien

COMPANY SECRETARY

Ms Sin Chee Mei
Mrs Wong Siew Choo

SHARE REGISTRAR

B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896
Tel: (65) 6593 4848
Email: main@zicoholdings.com

REGISTERED OFFICE

36 Newton Road
Singapore 307964
Tel: (65) 6426 0168
Fax: (65) 6256 2710
Email: royal@hotelroyal.com.sg

AUDITORS

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants Singapore
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809
Tel: (65) 6224 8288
Fax: (65) 6538 6166

AUDIT PARTNER-IN-CHARGE

Mr Andy Hoe Chi Hsien
Appointed in 2020

PRINCIPAL BANKERS

Oversea-Chinese Banking
Corporation Limited
DBS Bank Limited
Bank of New Zealand Limited
RHB Bank Berhad

INVESTOR RELATIONS

Mr Lee Chou Hock
Email: chlee@hotelroyal.com.sg

Contents

#SureCanDo

In the midst of chaos brought about by the global pandemic, we responded with our tenacity, adaptability and positivity. Across the Group, we were heartened by how our people coped positively with the disruptions to their work and lives. We call this our ***#SureCanDo*** spirit!

CORPORATE PROFILE

Listed on the Mainboard of the Singapore Exchange in 1968, Hotel Royal Limited owns a total of 8 hotels in Singapore, Malaysia and Thailand, with its latest acquisition of Royale Chulan Bukit Bintang Hotel in Kuala Lumpur in 2021. The 418-room hotel will be renamed Hotel Royal Bukit Bintang.

- **Hotel Royal**
  Singapore
- **Hotel Royal @ Queens**
  Singapore
- **Hotel Royal Kuala Lumpur**
  Kuala Lumpur, Malaysia
- **Hotel Royal Penang**
  Penang, Malaysia
- **Hotel Royal Bukit Bintang**
  Kuala Lumpur, Malaysia
- **The Baba House**
  Melaka, Malaysia
- **Hotel Royal Bangkok @ Chinatown**
  Bangkok, Thailand
- **Burasari Resort**
  Phuket, Thailand

The Group also owns Grand Complex, a prime commercial complex in the central business district of Wellington, New Zealand, which has approximately 278,000 square feet of lettable office and retail space, and 323 car park lots.

The Baba House, which is strategically located in the heart of Melaka's UNESCO Heritage Zone in West Malaysia, is presently undergoing major upgrading that will transform it into a heritage boutique hotel after the Group acquired it in January 2015. The 102-room Baba House, known for its traditional Peranakan architecture, is minutes to Melaka's famed Jonker Street, and close to historical landmarks such as Stadthuys (Dutch Governor House) and A'Famosa, as well as bustling shopping districts.

Meanwhile, the Group continues to explore opportunities to acquire hotel and investment properties in the Asia-Pacific region.

CHAIRMAN'S MESSAGE

Dear Shareholders

The tourism and hospitality sectors have gone through a brutal two years because of the pandemic and while recovery is in sight, the world is dealing with yet another infectious variant just when quarantine-free travel was just beginning to take flight.

However, the growth in pace of mass vaccinations, including boosters, continue to provide hope to the industry that business recovery continues to be on track despite momentary setbacks.

Tourism numbers for our markets in Singapore, Malaysia, Thailand remain low compared to pre-pandemic levels, however the industry is hopeful of a bounce back this year with the rise in global vaccination rates.

Against the backdrop of a volatile business landscape, the Group continues to look forward to a recovery in tourism and hospitality demand as the growth trajectory remains in view. Despite bumps and headwinds along the way, we must be ever ready to adapt to emerging challenges ahead.

On 16 September 2021, we announced the restructuring of Hotel Royal Penang which resulted in the displacement of all the hotel staff. Thankfully, we were able to assist some of the displaced staff find roles in our two hotels in Kuala Lumpur. It was a very painful decision for us, but a necessary step as the Group considers how to better utilise our assets in Penang. The office blocks within the hotel and Penang Plaza, the mall adjacent to the hotel, continue to be in operation.

Meanwhile, we completed the divestment of a 551 square-metre unit in Singapore's Central Business District - Maxwell House. This was an opportunistic decision as Maxwell House was already 52 years old, and was undergoing a collective sale. We were able to generate gross proceed of about S$10.7 million. After netting off fees and expenses, we managed to book a gain of about S$9.9 million.

In 2021, a bargain purchase gain of S$8.3 million was recognised from the acquisition of Hotel Royal Bukit Bintang in Malaysia. After accounting for acquisition-related expenses of S$4 million comprising legal fees, stamp duty and due diligence costs, the resulting net gain in bargain purchase from the acquisition amounted to S$4.3 million.

The major refurbishment of Hotel Royal Bukit Bintang is on track albeit with some delay due to the protracted Movement Control Order in Malaysia, which was lifted in October 2021. The extended MCO has also affected the expected completion of our property in Melaka – the Baba House. We are hoping that Baba House's opening will be in the second half of 2022.

Hotel Royal Bukit Bintang is strategically placed in the bustling shopping precinct, which is seeing a transformation with the iconic, well- connected Bukit Bintang City Centre project. We believe that our property there will benefit from the uplift in lifestyle attractions in this area.

YEAR IN REVIEW

In FY2021, the Group posted an 83.3% reduction in net loss before income tax, from a loss of S$20.1 million in FY2020 to a loss of S$3.4 million in FY 2021.

The reduction in net loss before income tax was primarily due to the net bargain purchase gain of S$4.3 million from the acquisition of Hotel Royal Bukit Bintang, the S$9.9 million gain on disposal of the 551 square-metre unit in Maxwell House and a S$7.2 million reduction in impairment loss for FY2021 vis-à-vis the preceding year.

Income tax expense recorded for FY2021 was approximately S$7.6 million, a huge increase against the S$0.7 million posted in FY2020. This was largely due to Grand Complex's inability to claim tax deduction for the depreciation for the estimated useful life of the building. This is especially so for the recently completed upgrading and earthquake strengthening works. As a result, there was an increase in deferred tax liability amounting to S$7.4 million registered in FY2021. Although the S$7.4 million formed part of the income tax expense, it did not result in any additional tax payable to the tax authority for the current financial year. After accounting for the income tax, the Group posted a net loss of S$ 10.9m.

Despite a stronger second half which saw revenue in hotel operations increased by 26.4% to $$11.3 million, thanks to the gradual lifting of border restrictions across countries and increased demand for staycations in the latter part of the year, revenue in hotel operations still declined by 17.1% to S$18.3 million on a year-to-date basis. The year-on-year decline was due to the strong performance in the first two months of FY2020, before the pandemic started.

Loss per ordinary share narrowed by 47.5% to 10.85 cents in the latest full year, while net asset value per share retreated 10.0% to $5.57 as of 31 December 2021. Cash and cash equivalents as at the end of FY2021 was $29.1 million, up 79.8%.

CHAIRMAN'S MESSAGE

During the year in review, our Singapore properties – namely, Hotel Royal Newton and Hotel Royal @ Queens – incurred land revaluation losses of S$44 million which led to a 11.5% dip in the Group's asset revaluation reserve to $338.0 million.

DIVIDEND

With sustained business recovery in sight, the Directors have proposed a one-tier, tax-exempt first and final cash dividend of 2.5 Singapore cents per ordinary share at the forthcoming Annual General Meeting. If approved, the proposed dividend will be paid out at a date to be announced.

LOOKING AHEAD

The Group expects to see a continual uptrend for hotel occupancies in 2022 with the gradual reopening of international borders by various countries around the world.

We are hoping that the International Air Travel Association's (IATA) earlier projection of international air travel returning to 40% of 2019's level in 2022 remains on track despite the Omicron wave. We are also optimistic that air travel can return to pre-Covid levels in 2024. We believe that the pent-up demand for leisure travel is growing, and will accelerate our business recovery in the longer term.

In preparation for the recovery, our new hotels such as Baba House in Melaka and the Hotel Royal Bukit Bintang should be well on their way to capture the growth in tourism in the region's recovery story. Meanwhile we are embarking on the Group's 5-Year Roadmap to future-ready our products, services and workforce. These initiatives include innovative offerings, more extensive adoption of technology and upskilling of our staff. In particular, we will be looking into and implementing new features towards a smart hotel environment, enhancing the Live-Work-Play concept, enhanced digital presence, flexible booking choices and more initiatives to protect the environment.

The Group's managed fund portfolio may experience unexpected movements due to geopolitical tensions, particularly between China and the United States, as well as Russia and Ukraine. These have adversely affected the global oil supply and equity markets to date, and continue to pose uncertainties and volatility.

IN APPRECIATION

As the pandemic moves into its third year, the world is still trying to adapt to a new endemic normal. It has indeed been a very difficult and challenging time for all of us, and I would like to thank all of my colleagues on the Board, as well as the management and general staff across the Group for their extraordinary tenacity in dealing with the uncertainties amidst being separated from loved ones for many of them.

This is also the reason why we have chosen #SureCanDo as the theme for this Annual Report, to celebrate the tenacity and motivation in all of us as we overcome adversities and challenges. It is also this #SureCanDo spirit that will prepare us for what is to come.

On behalf of the Board, I thank our shareholders, business partners, suppliers and customers for their continued support as we navigate through these tough times. Let us all embrace #SureCan do together!

Have another safe and rewarding year ahead!

Yang Wen-Wei
Chairman

31 March 2022

BOARD OF DIRECTORS

MR YANG WEN-WEI, 50
Independent Non-Executive Chairman

Mr Yang was appointed to the Board of Directors as an Independent Non-Executive Director on 28 April 2018. Mr Yang was re-designated as the Non-Executive Chairman of the Board on 24 April 2021.

He is the Chairman of the Remuneration and Nominating Committees and a member of the Audit and Risk Committee. He was last re-appointment as a director on 27 April 2019.

He is currently the Executive Operating Officer for his family-run business, Merdeka Construction Company Pte Ltd. A commercially astute sales and business development professional in the Information Technologies industry, Mr Yang has built a successful track record. During his diverse and rewarding career, he had the opportunity to work for a number of leading international companies and start-ups to proactively sell customised, technology-driven solutions in the competitive markets. Known for his consultative approach, he has collaborated with different data analytics companies to provide data analysis service to many clients.

He graduated from Northeastern University in America with a Master of Science, Electrical Engineering (Wireless Engineering).

DR TAN KIM SONG, 61
Independent Non-Executive Director

Associate Professor Tan Kim Song was appointed to the Board of Directors on 2 March 2015 and is the Chairman of the Audit and Risk Committee. He is also a member of the Nominating and Remuneration Committees. He was last re-appointed as a director on 27 June 2020.

Dr Tan is currently a faculty member in the School of Economics, Singapore Management University. He has previously worked in Chase, Fleet Boston and other investment banks, primarily in the fixed income market, as well as the Singapore Press Holdings.

He graduated in Economics from Adelaide University (First Class Honours) and holds a PhD from Yale University. He is currently also a member of the Appeal Board, Competition Commission of Singapore.

MR LEE KIN HONG, 68
Non-Executive Director

Mr Lee Kin Hong was appointed to the Board of Directors on 21 June 2002 as a non-executive director. He was last re-appointed as a director on 24 April 2021.

He is currently the Managing Director of Singapore-Johore Express (Private) Limited and has more than 30 years of experience in managing commercial, industrial and residential projects.

He graduated from the National University of Singapore with a Bachelor of Science (Building) and Master of Science (Project Management). He is also a member of the Singapore Institute of Building. Mr Lee Kin Hong is an Honourable Chairman of Sian Chay Medical Institution, a charitable organisation registered with the Ministry of Health.

MR LEE KHIN TIEN, 70
Non-Executive Director

Mr Lee Khin Tien was appointed to the Board of Directors on 31 December 1996 as a non-executive director. He is a member of the Audit and Risk Committee, Nominating and Remuneration Committee. He was last re-elected as a director on 27 June 2020.

He is currently the Managing Director of Aik Siew Tong Limited, Melodies Limited and an executive director of Singapore-Johore Express (Private) Limited. He has more than 30 years of experience in real estate, bus transportation and plantation business. He graduated from Nanyang University with a Bachelor of Science (Biology).

DR LEE CHU MUK, 42
Non-Executive Director

Dr Lee Chu Muk was appointed to the Board of Directors on 27 April 2019 as a non-executive director. He was last re-appointed as a director on 27 June 2020.

He is a director of Hong Ching Pte Ltd and an alternate director of Singapore-Johor Express (Private Limited), Aik Siew Tong Limited and Melodies Limited.

Dr Lee Chu Muk graduated from the National University of Singapore (M.B.B.S) in 2003 and has accumulated experience in diagnostic imaging as well as managing acute and chronic medical conditions. He is presently managing his own general practice (M Medical Clinic) since 2013.

MR LEE CHOU HOR GEORGE, 62
Non-Executive Director

Mr Lee Chou Hor George was appointed to the Board of Directors as a non-independent and non-executive director on 29 June 2020. He was last re-appointed as a director on 24 April 2021.

He has approximately 30 years of experience working in various organisations such as the Housing and Development Board, Singapore Airlines group and Hotel Royal group. His areas of responsibilities included financial, leadership and management, as well as real estate and capital markets investments. He is currently a non-executive director of the key subsidiaries of the Hotel Royal group as well as several companies in the family-owned/controlled group of companies.

He graduated with Bachelor of Business Administration (Hons) and Master of Business Administration from the Schulich School of Business (York University, Toronto, Canada), a Master of Science (Real Estate) from the National University of Singapore and a Master of Professional Accounting from the Singapore Management University. He is a Chartered Accountant (Singapore) and a Certified Internal Auditor.

SENIOR MANAGEMENT

LEE CHOU HOCK
Chief Executive Officer

Mr Lee Chou Hock joined the Group in 1985. He is responsible for the management of the day to day operations of the Company and its investments in the subsidiaries. Prior to joining Hotel Royal, he was with a public accounting firm in Singapore. He holds a Bachelor of Accountancy from the University of Singapore and a Master of Business Administration (Hospitality & Tourism Management) from Nanyang Technological University.

LEE CHU BING
Group Director of Operations

Mr Lee Chu Bing joined the Group in 2004 in the Sales & Marketing Department and also assisted in the leasing of the Group's investment properties. He was appointed the General Manager of Hotel Royal @ Queens (Singapore) Pte Ltd in April 2007. He holds a Bachelor of Arts from the National University of Singapore.

In March 2021, he was re-designated as the Group Director of Operations.

LEE ZONGYE ZACH
Group Director of Project Development

Mr Lee Zongye Zach joined the group in 2018 as the Director of Project Development. He assists the group in asset management and oversees capital improvement projects to the group's real estate portfolio.

Prior to joining Hotel Royal Group, he has experience as an Architect and Project Manager in the United States and Singapore. He holds a Masters Degree in Architecture from Cornell University, and a Masters Degree in Real Estate from Harvard University.

LEE SI MIN
General Manager
Hotel Royal @ Queens

Ms Lee Si Min joined the Group in 2020 as Assistant General Manager of Hotel Royal @ Queens before being promoted to General Manager in March 2021.

Prior to joining the Group, Si Min was Senior Manager for Meetings and Incentive Travel at Singapore Tourism Board.

She began her career with sales and marketing roles at Singapore Marriott Hotel and Wooloomooloo Group Singapore after graduating from the University of Queensland, Australia with a bachelor's degree in International Hotel and Tourism Management (double major in Hospitality and Event Management).

SAZRUL BIN FADZIL
General Manager
Hotel Royal Kuala Lumpur

Sazrul Bin Fadzil joined the Group in 2010 as General Manager of Hotel Royal Kuala Lumpur.

After graduating from University of Institute Technology MARA Malaysia's Hotel and Catering Management School, he was selected for a one-year industrial training in ANA Hotel Group in Tokyo, Japan as part of All Nippon Airways' scholarship programme. While in Japan, Mr Sazrul gained in-depth knowledge and experience in hotel management particularly in Front Office, Housekeeping, Maintenance and Security.

He started his career in 1990 as a management trainee in Rasa Sayang Resort, Penang, following which he joined the Genting Highlands Resorts for six years. He later took on a senior management role mainly in the opening and rebranding of new hotel properties.

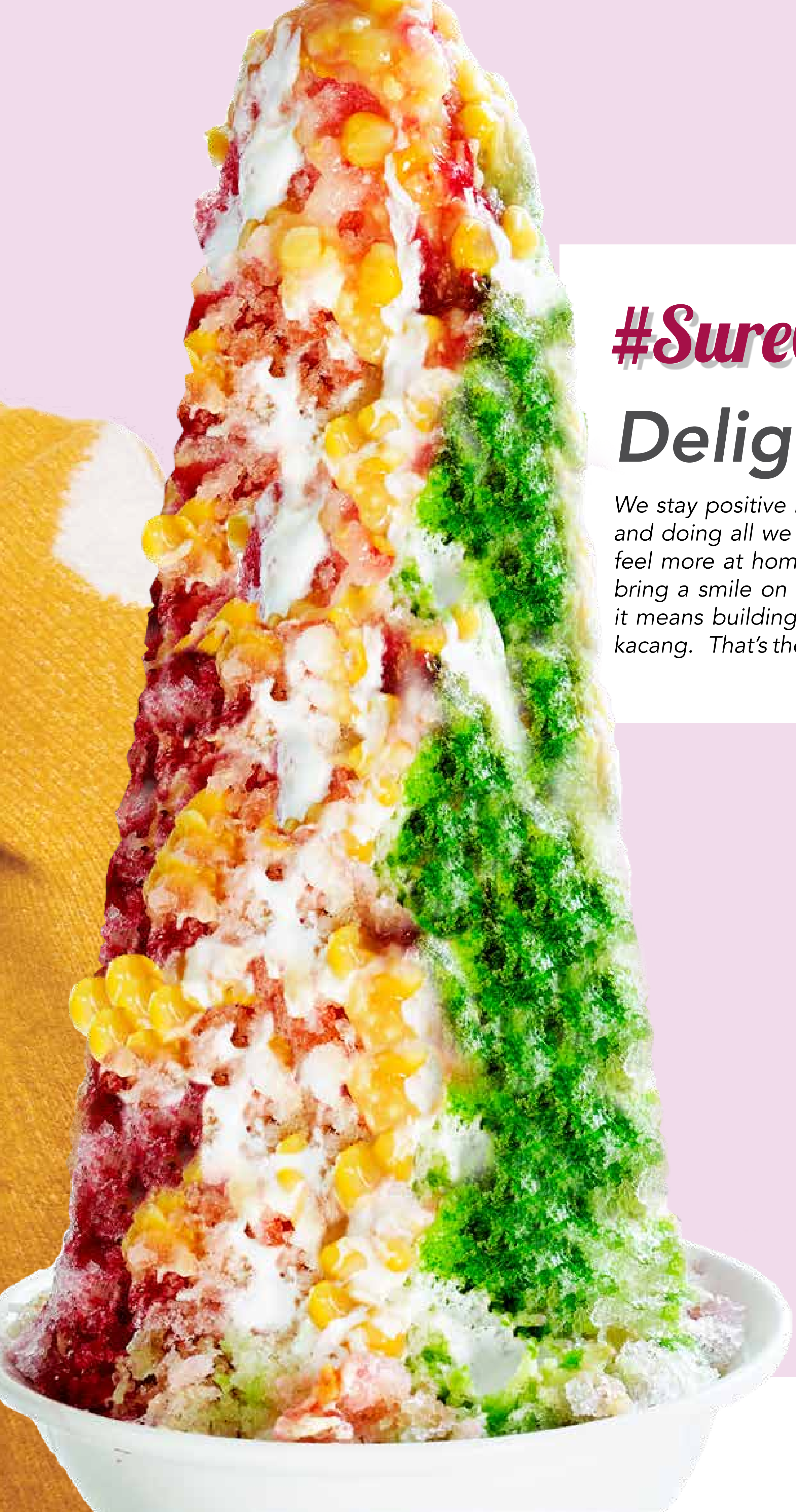
Active as a NGO participant, Mr Sazrul is a committee member of Malaysia Association of Hotels and Vice Chairman of the Kuala Lumpur Chapter. In addition, he is also a Certified Inspector for the Ministry of Tourism, Arts and Culture, Malaysia where he evaluates star ratings for hotel properties, and a Certified Hotel Trainer for the American Hotel & Resort Association.

PATRIK ILSTAM
General Manager
Burasari Resort, Phuket

Mr Patrik Ilstam joined Burasari Resort as its General Manager in 2019.

Patrik started his career in Front Office at Sheraton Gothenburg in Sweden. Followed by an 11-year journey through Rooms Division and Operation Management in 4 Le Meridien branded properties, included 2 luxury Le Royal Meridien in Thailand, a pre-opening In Malaysia and a flag ship (Le Meridien Phuket). Patrik joined Burasari Phuket in June 2019 from Sheraton Grand Danang, Vietnam where he served for 2 years as Executive Assistant Manager.

With over 30 years' experience in the hospitality industry, including 20 years with major international hotel chains, he is strong in hotel operations. He brings a wealth of experience to lead the team as General Manager of Burasari Resort, Phuket and his dynamic management approach and operational expertise is a valuable asset to the Group.



#SureCanDo

Delighting

*We stay positive by cheering others and doing all we can to make them feel more at home, going all out to bring a smile on their faces, even if it means building a super-duper ice kacang. That's the **#SureCanDo** spirit!*

CORPORATE MILESTONES

1968
Incorporated and listed on Main Board of Singapore Exchange

1969
Construction of Hotel Royal Singapore commenced

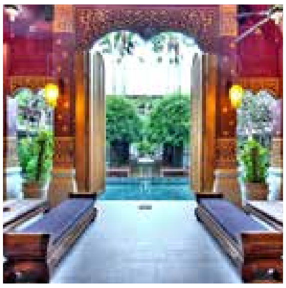
1972
Hotel Royal Singapore commenced operations

1992
Purchased Castle Mall Shopping Centre in NSW, Australia and sold in September 2002

2010
Acquired Hotel Royal Kuala Lumpur in Kuala Lumpur, Malaysia

2011
Acquired Hotel Royal Bangkok@Chinatown in Bangkok, Thailand

Redevelopment of Royal Residences (formerly Star Mansion) at 1A Surrey Road completed



2014
Acquired Burasari Resort in Phuket, Thailand

2015
Acquired The Baba House in Melaka, Malaysia

1995

Purchased Grand Complex mixed commercial/retail development in Wellington, New Zealand

2004

Purchased Dapanso Building at 158 Cecil Street Singapore

Purchased Hotel Royal @ Queens at Queen Street Singapore

2007

Disposal of Dapenso Building at Cecil Street Singapore

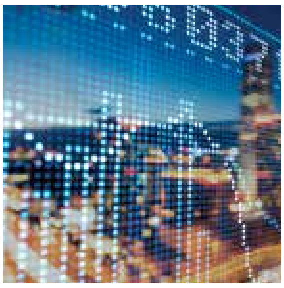
Acquired Star Mansion at 1A Surrey Road Singapore

2008

Purchased Hotel Royal Penang and Penang Plaza in Penang, Malaysia

2017

Commencement of major upgrading of Baba House in Melaka into a heritage boutique hotel.



2018

Raised $50.4 million through a Rights Issue of 16.8 million ordinary shares at $3.00 each.

2019

Acquired Baba Mansion adjacent to Baba House, as part of Baba House's redevelopment

2021

Hotel Royal Bukit Bintang (former Royale Chulan Bukit Bintang Hotel) joins as the Group's second hotel in Kuala Lumpur, Malaysia.

HOTEL ROYAL BUKIT BINTANG

A fresh canvas to redefine our brand

Hotel Royal Group welcomes Hotel Royal Bukit Bintang into our hotel collection. Acquired in February 2021, this will be our second hotel in the heart of Kuala Lumpur. It will undergo an ambitious refurbishment programme as part of a larger effort to update and reinforce our brand promise - "Every Room A Home".

The 4-star property is strategically located in the bustling Bukit Bintang shopping district, a stone's throw from the highly-popular Berjaya Times Square and an exciting new integrated development that is destined to be the new heartbeat of Kuala Lumpur's city centre – the 19.4-acre Bukit Bintang City Centre. Flanked by an iconic 80-storey Signature Tower, Bukit Bintang City Centre features a lifestyle mall, residential suites, offices, hotels, entertainment and a central transit hub which connects the existing Hang Tuah monorail, the LRT and upcoming Merdeka MRT Station.

We speak to Mr Zach Lee, the Group's Director of Project Development, to give us a preview of Hotel Royal Bukit Bintang's rebranding:

Hi Zach, thank you for joining us. I guess we should start with the obvious question: What does "Every Room A Home" mean to Hotel Royal Bukit Bintang?

Thanks for having me! I hope I'll be able to articulate what we are trying to achieve.

"Every Room a Home" is a challenging brand promise, because a "home" carries a different meaning to different guests. Our aspiration is to have our guests feel as comfortable as they can, and as quickly as possible. To facilitate that, we decided to pursue the emotive qualities of a "home". Our approach is to design that experience.

Interesting. What are some of these emotive qualities?

The most important emotion that we are trying to evoke is your confidence and familiarity with the surroundings. When you get home, you feel comfortable because you know your home well. You can toss your keys in the tray and switch on your lights without even looking at where these things are. In fact, you don't even notice them.

I guess that makes sense. We tend to notice things that stick out and not things that blend in.

Exactly! We try to carefully curate the environment, so things that do not require attention don't end up screaming for some. The guest room design should be unassuming, and will feature natural materials with earthy tones and soft textures. Instead of marbles and carpet, we feature timber flooring that resonates with the vibes of home. On the other hand, room amenities that reinforces our brand promise will be highlighted. Such amenities could include everyday items such as cups, hangers, and slippers. Afterall, not everything has to blend in. For example, the lobby reception should be clearly visible, so when new guests arrive at the hotel, we minimize their transitional experience of feeling "lost".

Do you worry that guests may find the experience forgettable if everything seamlessly blends in?

Not at all. The strategy is to provide many small clues, for the guest to be able to piece together our brand promise of "Every Room a Home" by the end of their stay with us. If the takeaway experience ends up being: "That was a really nice hotel stay, although I cannot really pinpoint as to why.", then we would have succeeded.

That sounds very exciting! I look forward to sampling your hospitality. When can I expect to make my booking?

Haaha thanks! We have started our renovations and expect to welcome our first guests in approximately 24 months. I will see you there. Thank you!

HOTEL ROYAL
BUKIT BINTANG

In embracing the promise of "Every Room a Home", the lobby functions as an abstract "Living Room". Traditionally, the living room of a home serves as a space to welcome and entertain guests. We attempt to re-create this social condition by curating micro-environments within our spacious lobby to encourage such interactions. The various furniture layout and design allows for the creation of different social settings. One could lounge in a more private setting of sofas and high chairs, or interact with other guests at a oversized communal table. We hope to transform the lobby from a transient space into a social living room.

"Every Room a Home" - Our newly renovated guest rooms are designed to facilitate this experience. We understand that when our guests are in the hotel, most of their time will be spent in their rooms. It is important to us that our guests feel as comfortable as possible. The layout of the rooms avoid clutter and makes the space comprehensible, allowing our guests to feel confident in the environment. Clean lines and clear spaces accentuate the cleanliness of the room, while the natural and earthy tones calm the mind from the bustling city surroundings. This is a room for one to hang their feet up and relax in.

GROUP'S MAJOR PROPERTIES


Hotel Royal Newton, Singapore

The Baba House, Melaka Malaysia


Hotel Royal Bukit Bintang, Malaysia


Hotel Royal Kuala Lumpur, Malaysia

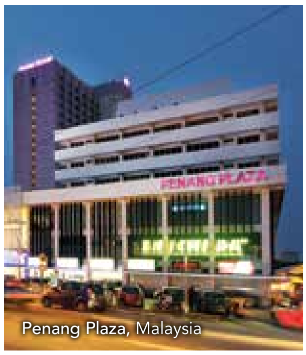
Hotel Royal Bangkok @ Chinatown, Thailand


Burasari Resort, Phuket, Thailand

Hotel Royal @ Queens, Singapore


Metro Residences, Singapore


Hotel Royal Penang, Malaysia



Penang Plaza, Malaysia

Location	Name of Property	Description and Area	No. of Guest Rooms	Tenure	Effective Stake
HOTELS					
Singapore	**Hotel Royal** 36 Newton Road	Land area of about 7,200 sq m Hotel building with built-up area of approximately 23,500 sq m	362	Freehold	100%
	Hotel Royal @ Queens 12 Queen Street	Land area of about 1,979 sq m Hotel building with built-up area of approximately 14,605 sq m	231	Freehold	100%
Malaysia	**Hotel Royal Kuala Lumpur** Jalan Walter Grenier 55100 Kuala Lumpur	Land area of about 773 sq m Hotel building with built-up area of approximately 20,027 sq m	285	Freehold	100%
	Hotel Royal Bukit Bintang[1] 17-21, Bukit Bintang Street 55100 Kuala Lumpur	Land area of about 3,189 sq m Hotel building with built-up area of approximately 47,821 sq m	418	Freehold	100%
	Hotel Royal Penang 3 Jalan Laut, Georgetown Penang	Land area of about 3,495 sq m Hotel building with built-up area of approximately 28,569 sq m	281	Freehold	100%
	The Baba House[2] No. 121, 123, 125,127, 129, 131, 133, 135 Jalan Tun Tan Cheng Lock, Melaka	Land area of about 4,138 sq m Hotel building with built-up area of approximately 10,428 sq m	102	Freehold / Leasehold	100%
Thailand	**Hotel Royal Bangkok @ Chinatown** Yaowaraj Road, Bangkok	Land area of about 1,480 sq m Hotel building with built-up area of approximately 19,082 sq m	290	Freehold	100%
	Burasari Resort 18/110 Ruamjai Road Phuket	Land area of about 6,722 sq m Hotel building built-up area of approximately 11,441 sq m	184	Freehold	100%
		Total Number of Guest Rooms	**2,153**		

Location	Name of Property	Description and Area	Tenure	Effective Stake
INVESTMENT PROPERTIES				
Singapore	**Metro Residences*** 1A Surrey Road	Land area of about 718 sq m Residential building with total lettable area of about 1,720 sq m (The Company has a 91.63% share of the above property. The remaining 8.37% is owned by a related party)	Freehold	100%
	Kapo Factory Building #05-14	Flatted factory unit Strata floor area of about 157 sq m	Freehold	100%
	Tong Lee Building #02-14, #06-02, #07-02 and #09-08	Factory unit Strata floor area of about 277 sq m each (total of 1,108 sq m)	Freehold	100%
Malaysia	**Penang Plaza** 126 Jalan Burma Georgetown, Penang	Land area of about 5,498 sq m Shopping centre and offices with total lettable retail area of 5,956 sq m; total lettable office area of 2,378 sq m and 88 carpark lots	Freehold	100%
New Zealand	**Grand Complex Properties** 16-20 Willis Street 22-42 Willis Street 80 Boulcott Street 84 Boulcott Street Wellington	Land area of about 6,872 sq m Shopping centre and offices with lettable retail area of 4,336 sq m; Childcare of 793 sq m and lettable office area of 20,683 sq m and 323 carpark lots	Freehold	100%

1 Acquired in 2021
2 50.11% is freehold and 49.89% is leasehold
* Previously knows as Royal Residences

GROUP'S FINANCIAL HIGHLIGHTS

	2021	2020	2019	2018	2017
For the year ($'000)					
Revenue	26,280	30,618	57,690	60,080	61,483
(Loss) Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	8,450	(9,343)	20,678	23,220	24,721
Gross Profit	5,081	8,823	27,325	30,244	31,157
Net (Loss) Profit attributable to Owners of the Company	(10,934)	(20,844)	4,862	6,942	7,571
Finance Costs	(4,163)	(2,971)	(4,048)	(4,228)	(4,498)
Cash (used in) from Operating Activities	(3,033)	(3,243)	11,942	20,477	17,813
Capital Expenditure	74,297	9,955	16,373	9,538	10,116
At year end ($'000)					
Total Assets	794,146	782,811	838,574	807,393	744,863
Total Liabilities	232,976	158,993	150,205	138,043	186,529
Total Equity	561,170	623,818	688,369	669,350	558,334
Cash and Bank Balances	29,139	16,202	20,903	29,269	18,328
Property, Plant & Equipment	615,647	614,389	671,464	647,679	605,718
Investment Properties	109,772	107,705	102,077	93,887	91,222
Total Borrowings	196,131	127,518	115,394	105,033	152,771
Asset Revaluation Reserve	338,010	382,010	424,469	407,913	364,577
Financial Ratios					
Revenue Growth (%)	(14.17)	(46.93)	(3.98)	(2.28)	4.73
Net Profit Growth (%)	47.54	(528.71)	(29.96)	(8.31)	(2.12)
Revalued Net Assets Value (RNAV) ($'million)[2]	708.37	764.15	843.72	829.82	708.12
Debt to RNAV (times)	0.28	0.17	0.14	0.13	0.22
Per Share Information					
(Loss) Earnings per Share (cents) before Income Tax [1]	(3.33)	(19.94)	8.31	11.17	13.33
(Loss) Earnings per Share (cents) after Income Tax [1]	(10.85)	(20.68)	4.82	7.52	8.88
Net Assets Value (NAV) per Share ($)	5.57	6.19	6.83	6.64	6.65
Revalued Net Assets Value (RNAV) per Share ($) [2]	7.03	7.58	8.37	8.23	8.43
Dividend per Share - Ordinary Shares ($)	0.025	0.025	0.06	0.05	0.05
Market capitalisation ($'million) at year end	312.48	274.18	303.41	300.38	338.52

(1) The weighted average number of ordinary shares is 85.292 million for 2017, 92.345 million for 2018 and 100.8 million for 2019 to 2021.

(2) The revaluation surplus (net of tax effect) arising from land and buildings have been included in determining the Adjusted Net Assets Value.

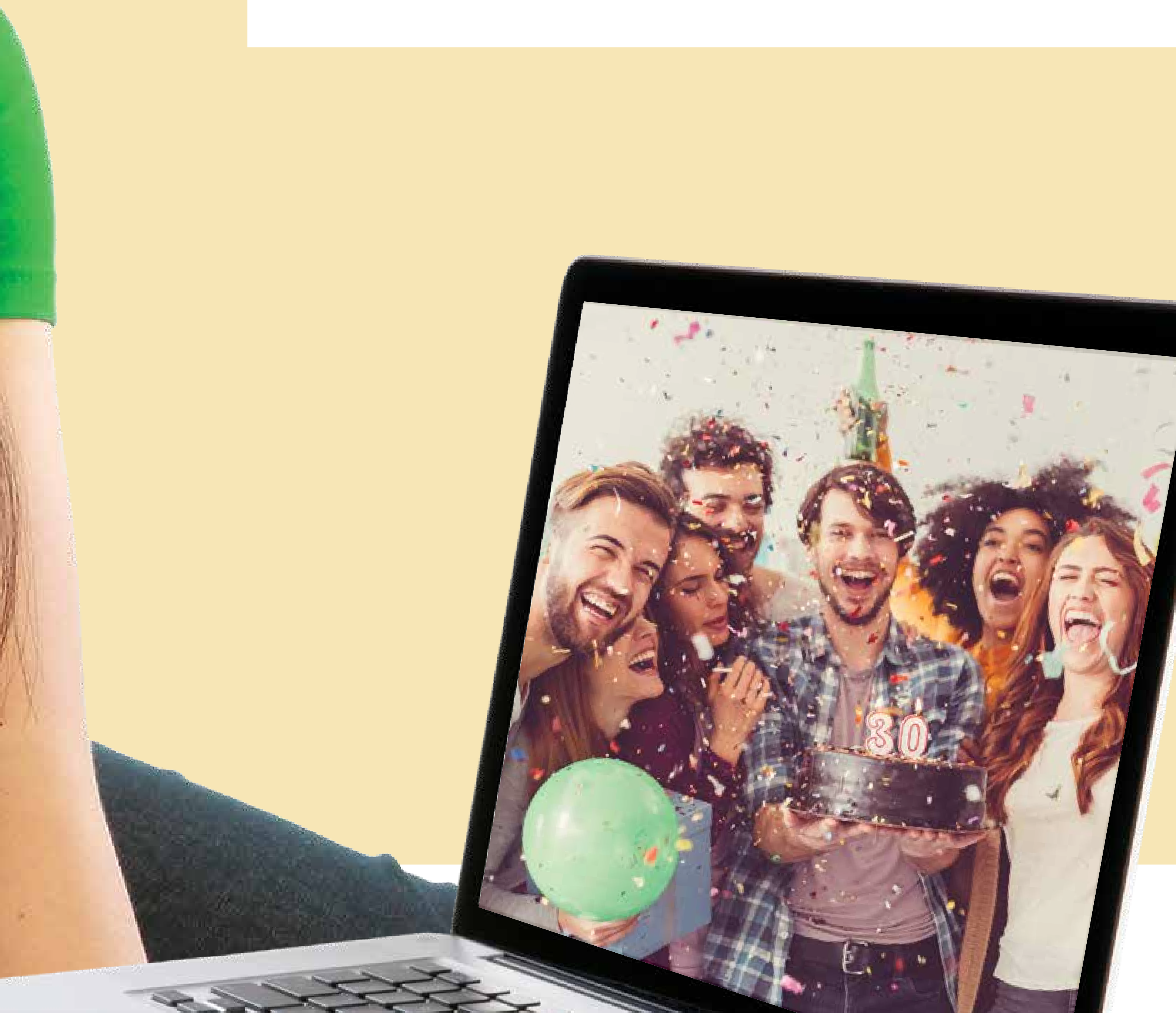
VALUE-ADDED STATEMENT

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue earned	26,280	30,618	57,690	60,080	61,483
Less: cost of sales	(21,199)	(21,795)	(30,365)	(29,836)	(30,326)
Gross value-added from operations	5,081	8,823	27,325	30,244	31,157
Other income	20,503	983	565	548	1,335
Other expenses	(12,140)	(16,199)	(2,206)	(2,495)	(2,933)
Net foreign exchange adjustment (loss) gain	(1,474)	(330)	978	276	157
Total value-added	11,970	(6,723)	26,662	28,573	29,716
Distribution:					
To employees in salaries and other related costs	7,999	8,968	15,757	15,387	16,114
To government in corporate and other taxes	7,576	743	3,515	3,370	3,629
To providers of capital:					
- Interest paid on borrowing from banks	4,163	2,971	4,048	4,228	4,498
Retained for re-investment and future growth					
- Depreciation and amortisation	7,645	7,787	8,253	8,680	9,023
- Accumulated losses	(22,262)	(41,962)	(4,844)	(3,079)	(4,299)
Non-production costs and income:					
- Allowance for doubtful receivables	154	320	12	70	77
- Bad debt expense		-	-	4	33
- Write back of allowance for doubtful receivables	(222)	(18)	(2)	(87)	(150)
- Fair value loss on derivative financial instruments	(196)	196	-	-	-
- Impairment loss on available-for-sale investments	-	-	-	-	16
- Impairment loss on property, plant and equipment	7,209	8,765	-	-	-
- Impairment loss on goodwill	-	2,007	-	-	-
- Impairment loss on investment properties	-	3,500	-	-	775
- Reversal of impairment loss on investment properties	(96)	-	-	-	-
- Reversal of impairment loss on leasehold land	-	-	(77)	-	-
Total distribution	11,970	(6,723)	26,662	28,573	29,716
PRODUCTIVITY DATA					
Number of employees	431	568	750	756	815
Value-added per employee ($'000)	27.77	(11.84)	35.55	37.79	36.46
Value-added per $ of employee cost	1.50	(0.75)	1.69	1.86	1.84
Value-added per $ revenue earned	0.46	(0.22)	0.46	0.48	0.48
Value-added per $ of investment in investment properties, property, plant and equipment	0.02	(0.01)	0.03	0.04	0.04

#SureCanDo

Uplifting

Covid-19 has been a trying time for everyone, especially those who have been separated from loved ones. We cope by focusing on the things that we can do, such as finding creative ways to stay connected. ***#SureCanDo***.



OPERATIONS AND FINANCIAL REVIEW

Catching up with the Group's Director of Operations – Mr Lee Chu Bing

We caught up with Director of Operations, Mr Lee Chu Bing, to get a feel of what's happening with the running of the Group's hotels recently:

Hi Chu Bing, how do you feel about borders slowly reopening in the region, and how are you preparing your hotels for the upturn?

We are certainly optimistic about the reopening of borders in various countries, especially in our key markets of Singapore, Malaysia and Thailand. In the last several months, we have been preparing for this day and have strengthened all the necessary hygiene and operational protocols for the new normal. We have also implemented new enhancements such as ultra-violet lighting in our air conditioning systems.

What are you doing to position your hotels for the future?

We are embarking on the Group's 5-Year Roadmap which looks into new trends and technology that we can adopt to cater to the changing needs of our customers, and to reposition our hotels for the future.

For example, we would be able to use facial recognition for guests to check into the hotel by themselves. Furthermore, we would also be able to dispense with the need to issue physical vouchers by integrating our property management system with this automated front office system. So, all of the guest's entitlements would have been captured in the system even before he reaches the automated check-in counter.

Apart from improvements to hardware, we are also focusing more on enhancing customer experiences and staff training to provide that all-so-important human touch by playing the role as hosts.

How do you ensure that each of your hotels embody the Group's brand promise of "Every Room A Home"?

Our new properties such as Baba House in Melaka and Hotel Royal Bukit Bintang in Kuala Lumpur will feature new design features with "Every Room A Home" in mind. From the lobby to the guest rooms, we have been mindful about the simple comforts of home – the room features, the way we remember the likes and dislikes of each guest, to the coworking spaces in the lobby. We will progressively find opportunities to upgrade our other hotels in the near future.

We are also studying the feasibility of an alliance with other partners to increase the breadth and depth of our customer's experience.

People are an essential part of delivering the brand promise. How do you ensure that your staff play their part?

Yes, indeed – our people are critical in delivering our brand promise. We let our staff know that they are not just our employees, but hosts and ambassadors of our brand. Training will of course be essential, but more than that, we try to create a family culture in our Group. It is only when staff realise that we are members of one family that they will have ownership in all that they do. We already have this culture in the Group, but we need to focus on it more, and pass it all down. It needs to be in every staff member's DNA.

How did you handle the retrenchment of staff at Hotel Royal Penang?

The decision to restructure Hotel Royal Penang was made after very careful consideration.

Unfortunately, with the suspension of operations, we had to let our staff go. Staff were fairly compensated, and assistance was provided to help the affected staff find new jobs; some were also transferred to our hotels in Kuala Lumpur.

This exercise was confined to the hotel's operation in Penang only. Staff from the adjoining Penang Plaza and office towers were not affected.

In the years ahead, what will you as Director of Operations be focusing on?

Our 5-Year Roadmap will keep us all pretty busy, but it's going to be very exciting for us, our staff and our guests. It's still all about making memorable experiences for our guests.

OPERATIONS AND FINANCIAL REVIEW

THE GROUP'S CORE ACTIVITIES ARE AS FOLLOWS:

A) HOTEL OPERATIONS

The Group owns and operates a chain of 8 hotels in Singapore, Malaysia and Thailand, such as its flagship Hotel Royal Singapore and Hotel Royal @ Queens in Singapore; Hotel Royal Kuala Lumpur, Hotel Royal Penang, and The Baba House, Melaka in Malaysia, Hotel Royal Bangkok @ Chinatown and Burasari Resort, Phuket in Thailand. During the year in review, the Group acquired Royale Chulan Bukit Bintang Hotel in Kuala Lumpur which has been rebranded as Hotel Royal Bukit Bintang.

B) PROPERTY INVESTMENTS

The Group's investment properties, which derives rental income, are located in Singapore, Malaysia and New Zealand.

C) FINANCIAL INVESTMENTS

The Group invests in a portfolio of shares, bonds, funds and other investment instruments to generate a stable stream of income through interest, dividends, and capital appreciation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (extract)
Year ended 31 December 2021

	2021 $'000	2020 $'000	Change %
Revenue			
Hotel operations segment	18,321	22,090	(17.1)
Property investments segment	7,599	8,217	(7.5)
Financial investments segment	360	311	15.8
Total revenue	**26,280**	**30,618**	**(14.2)**
Less: Cost of sales	(21,199)	(21,795)	(2.7)
Gross profit	**5,081**	**8,823**	**(42.4)**
Less: Operating expenses	(11,165)	(10,407)	7.3
Add: Other income	20,518	985	>100
Less: Other expenses	(13,629)	(16,531)	(17.6)
Less: Finance costs	(4,163)	(2,971)	40.1
Loss before income tax	**(3,358)**	**(20,101)**	**(83.3)**
Less: Income tax expense	(7,576)	(743)	>100
Loss for the year attributable to owners of the Company	**(10,934)**	**(20,844)**	**(47.5)**

OPERATIONS AND FINANCIAL REVIEW

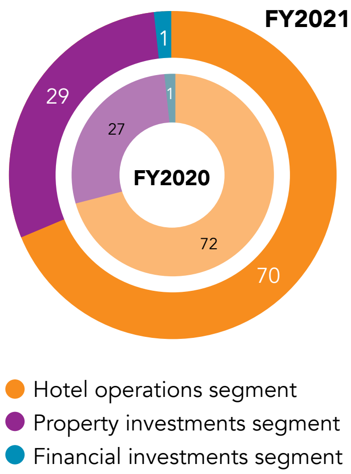
REVENUE

Group revenue comprises proceeds from room sales, food and beverage ('F&B") operations, as well as income from investment properties and financial instruments.

In FY2021, the significant decrease in business travel and tourist arrivals to Singapore, Malaysia and Thailand brought about by the COVID-19 pandemic measures led to a 17.1% decline in revenue from the Group's hotel segment to $18.3 million.

	Financial year ended 31 Dec				Increase (Decrease)	
	2021		2020			
	$'000	%	$'000	%	$'000	%
Hotel operations segment	18,321	70	22,090	72	(3,769)	(17.1)
Property investments segment	7,599	29	8,217	27	(618)	(7.5)
Financial investments segment	360	1	311	1	49	15.8
	26,280	**100**	**30,618**	**100**	**(4,338)**	**(14.2)**

REVENUE BY SEGMENT (%)



In terms of segmental revenue, sales from its 3 divisions dipped by 14.2% to $26.3 million.

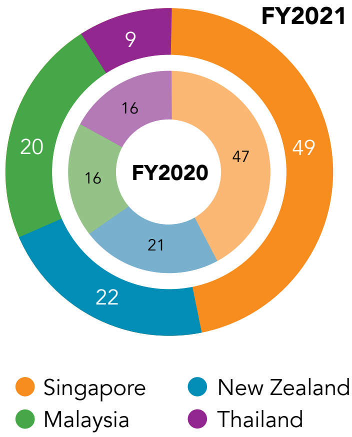
While the reduction of occupancy in the Group's hotel segment was contained by an increase in domestic demand and companies hosting their employees, rates were however suppressed. Following the gradual lifting of border restrictions across the globe, an upward trend in the Group's hotel revenue was observed during the 2nd half of 2021.

The Group's property investment revenue derives primarily from rental collections. The impact to this revenue stream is relatively slower due to contractual commitments and the longer time required for negotiations. With the slowdown from the pandemic continuing into FY2021, discounts and rental reductions were offered to existing and potential tenants as a gesture of goodwill, solidarity and tenant retention. This resulted in a 7.5% decline in revenue to 7.6 million in FY2021.

The Group's financial investment was very volatile due to the pandemic and geo-political situation in 2021. Nevertheless, with the increasingly positive outlook, the Group's financial investment revenue had an uplift of 15.8% to approximately $0.4 million in FY 2021.

	Financial year ended 31 Dec				Increase (Decrease)	
	2021		2020			
	$'000	%	$'000	%	$'000	%
Singapore	12,922	49.2	14,438	47.1	(1,516)	(10.5)
Malaysia	5,268	20.0	5,016	16.4	252	5.0
Thailand	2,262	8.6	4,835	15.8	(2,573)	(53.2)
New Zealand	5,828	22.2	6,329	20.7	(501)	(7.9)
	26,280	**100**	**30,618**	**100**	**(4,338)**	**(14.2)**

REVENUE BY GEOGRAPHICAL LOCATION (%)



On a geographical basis, the Group's operations in Singapore and Thailand were still affected by the significant decline in visitor arrivals to these countries.

Sales from Singapore, which accounted for 49.2% of total revenue in FY2021, retreated by 10.5% to $12.9 million, while Thailand, which accounted for 8.6% of total sales, reported a 53.2% decrease to $2.3 million. Malaysia, which accounted for 20.0% of total sales, saw an improvement of 5.0% to $5.3 million.

Rental income from its investment properties in New Zealand, posted a 7.9% decline in Group revenue to $5.8 million.

OPERATIONS AND FINANCIAL REVIEW

PROFITABILITY

During the year in review, the Group's gross profit was reduced by 42% to S$5.1 million.

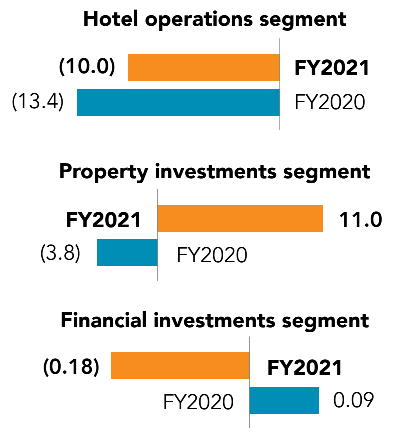
Operating income from other sources, such as gain on disposal of available-for-sale investments, foreign exchange gain, miscellaneous other income, fair value gain on held-for-trading investments, gained by more than 100%, from $0.98 million in FY 2020 to $20.5 million mainly due to the gain on disposal of a unit in Maxwell House and from the bargain purchase arising from acquisition of Royale Chulan Bukit Bintang Hotel.

Other expenses decreased year-on-year due to the reduction in impairment of properties in Malaysia and Bangkok.

These led to the Group posting a pre-tax loss of $3.4 million in FY2021.

	Financial year ended 31 Dec				Increase (Decrease)	
	2021		2020			
	$'000	%	$'000	%	$'000	%
Hotel operations segment	(10,033)	(1,246)	(13,398)	78	3,365	25.1
Property investments segment	11,022	1,369	(3,824)	23	14,846	>100
Financial investments segment	(184)	(23)	92	(1)	(276)	n.m
Profit/(Loss) before interest and income tax	**805**	**100**	**(17,130)**	**100**	**17,935**	**>100**

PROFITABILITY BY SEGMENT ($ million)



The Group's hotel segment saw a 25.1% improvement in profit during FY2021 evidenced by the reduction in its pre-tax loss of $13.4 million in FY2020 to a pre-tax loss of $10.0 million in FY2021. This was achieved thanks to the recognition of the bargain purchase gain from the acquisition of Royal Chulan Bukit Bintang.

The Group's property segment, reported an improvement of $14.8 million in FY2021. The increase in profit to $11 million in FY2021 from a pre-tax loss of $3.8 million in FY2020 was primarily due to the disposal of a unit in Maxwell House.

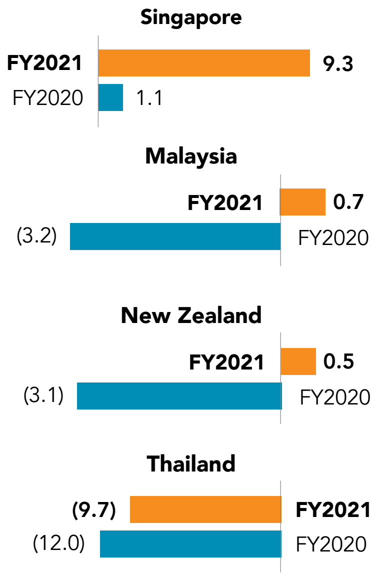
Its financial investments segment recorded a pre-tax loss of approximately $0.2 million.

	Financial year ended 31 Dec				Increase (Decrease)	
	2021		2020			
	$'000	%	$'000	%	$'000	%
Singapore	9,320	>100	1,064	(6)	8,256	>100
Malaysia	653	81	(3,208)	19	3,861	n.m
New Zealand	524	65	(3,082)	18	3,606	n.m
Thailand	(9,692)	n.m	(11,904)	69	2,212	18.6
Profit/(Loss) before interest and income tax	**805**	**100**	**(17,130)**	**100**	**17,935**	**n.m**

Despite the overall decline in revenue, the Group's profit before interest and income tax turned a loss of $17.1 million in FY2020 to a profit of $0.8 million in the latest full year. Singapore registered a pre-tax profit of $9.3 million, an increase of $8.3 million against the preceding year. The main reason for the increase was due to the sale of the Group's unit in Maxwell House.

During the year of review, Malaysia and New Zealand enjoyed a pre-tax profit of $0.7 million and $0.5 million respectively, while Thailand racked up a pre-tax loss of $9.7 million, mainly due to impairment in valuation of the Thailand hotel's building in Bangkok.

PROFITABILITY BY GEOGRAPHICAL LOCATION ($ million)



OPERATIONS AND FINANCIAL REVIEW

CASHFLOW

In FY2021, the Group turned in a negative net cash from operating activities of $3.03 million, and a net invested cash total of $55.05 million in capital expenditure for upgrading of its investment properties and expanding its hotel portfolio. The net cash of $71.35 million was mainly due to new drawdown offset by bank loan repayment.

As at 31 December 2021, the Group's cash and cash equivalents stood at $29.1 million.

GROUP CASH AND CASH EQUIVALENTS

	FY 2021 $'000	FY 2020 $'000	FY 2019 $'000	FY 2018 $'000	FY 2017 $'000
Cash on hand	113	110	154	174	166
Cash at bank	16,703	12,251	18,664	15,632	16,462
Fixed deposits	12,323	3,841	2,085	13,463	1,700
Total	**29,139**	**16,202**	**20,903**	**29,269**	**18,328**

The Group's cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits. The fixed deposits of subsidiary companies are pledged for loan facilities which are secured by a mortgage over the subsidiary's freehold hotel property, investment property, fixed and floating charges on all the assets of the subsidiary, subordination of intercompany advances made to the subsidiary, fixed deposits and corporate guarantee from the Company.

The short-term fixed deposits earn interest ranging from 0.15% to 1.8% per annum, with terms ranging from one month to two months.

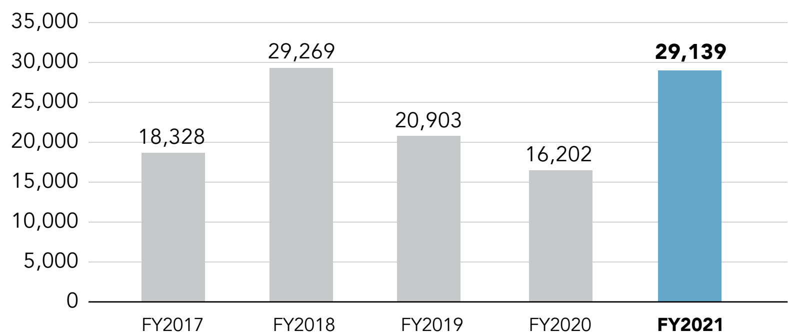
The negative cashflow was due to the lower contribution from the Group's hotel and investment properties in New Zealand.

The increase was due to the acquisition of Royale Chulan Bukit Bintang Hotel (which will be renamed Hotel Royal Bukit Bintang), and additions to investment properties.

The increase was due to additional loans to finance the acquisition of Royale Chulan Bukit Bintang Hotel and the repayment of bank loans.

	2021 $'000	2020 $'000
Net cash used in operating activities	(3,033)	(3,243)
Net cash used in investing activities	(55,053)	(10,830)
Net cash from financing activities	71,347	9,414
Net increase (decrease) in cash and cash equivalents	13,261	(4,659)
Cash and cash equivalents at end of year	**29,139**	**16,202**

GROUP CASH AND CASH EQUIVALENTS ($'000)

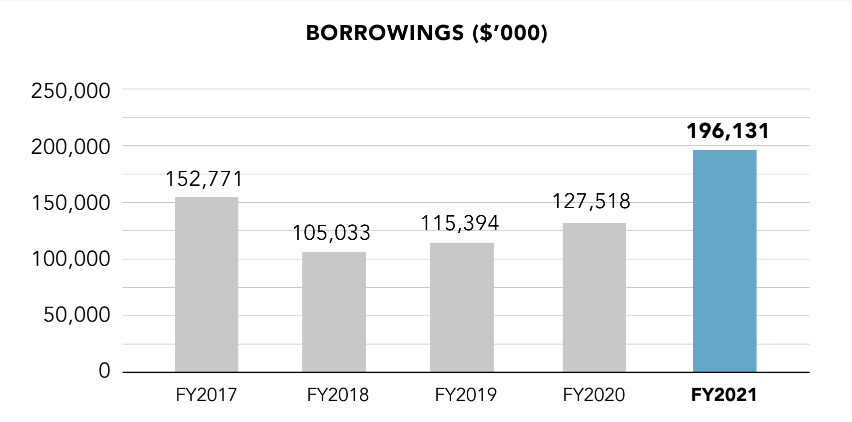


GROUP BORROWINGS

	FY 2021 $'000	FY 2020 $'000	FY 2019 $'000	FY 2018 $'000	FY 2017 $'000
Secured	**196,131**	127,518	115,394	105,033	152,771

The Group's borrowings comprise short-term and long-term bank loans. Over the years, from FY2017 to FY2018, the Group's bank borrowings have decreased as the Group had repaid part of its bank loan.

From FY2019 and FY2021, the Group's borrowings increased from new loan drawdowns for the acquisition of Hotel Royal Bukit Bintang, the redevelopment of Baba House and upgrading of Grand Complex in New Zealand.



OPERATIONS AND FINANCIAL REVIEW

The Group's total shareholders' equity (capital and reserves) dipped by 10.0% to S$561.2 million due to extremely challenging business environment brought about by the global pandemic.

In FY2021, the Group continued to upgrade its hotel and investment properties progressively, and to enhance its market share in these countries.

Moving ahead, the Group will actively consolidate its operations and strengthen its financial position.

STATEMENTS OF FINANCIAL POSITION (extract)
31 December 2021

Total Assets – increased by $11.3 million or 1.4% as at 31 December 2021.

Increase in property, plant and equipment was marginal despite the acquisition of Royale Chulan Bukit Bintang Hotel as the increment was being offset by the decrease in the valuation of freehold land in the two hotel properties in Singapore. The impairment of the Group hotel buildings overseas and downward foreign exchange difference on the Group's overseas properties further limited the increase in the property, plant and equipment.

Decrease in trade and other receivables was mainly due to the completion of acquisition of Royale Chulan Bukit Bintang Hotel. The initial deposit on signing of the Sales and Purchase Agreement was transferred to the property, plant and equipment upon completion.

Increase in cash and cash equivalent was mainly due to the sales proceeds from the disposal of the Group's unit in Maxwell House, Singapore.

Total Liabilities – increased by $74 million or 46.5% as at 31 December 2021.

Increase in bank borrowings was mainly due to the financing required for the acquisition of Royale Chulan Bukit Bintang Hotel, improvement works to the Group's properties and working capital.

Capital and reserves – decreased by $62 million or 10% as at 31 December 2021.

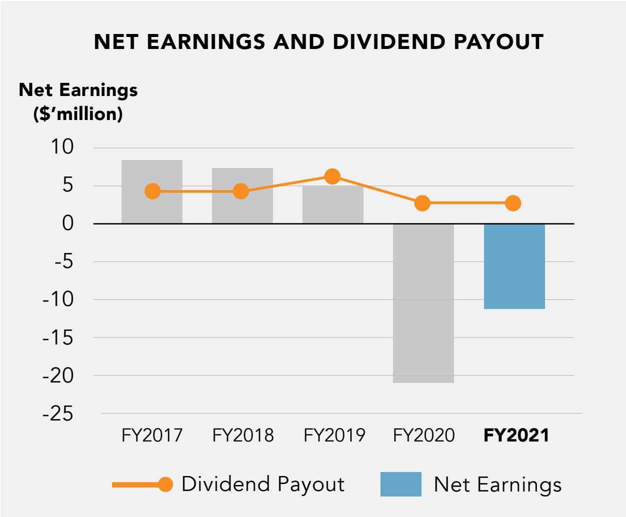
Decrease in asset revaluation reserve was primarily due to the reduction in land valuation of Hotel Royal and Hotel Royal @ Queens.

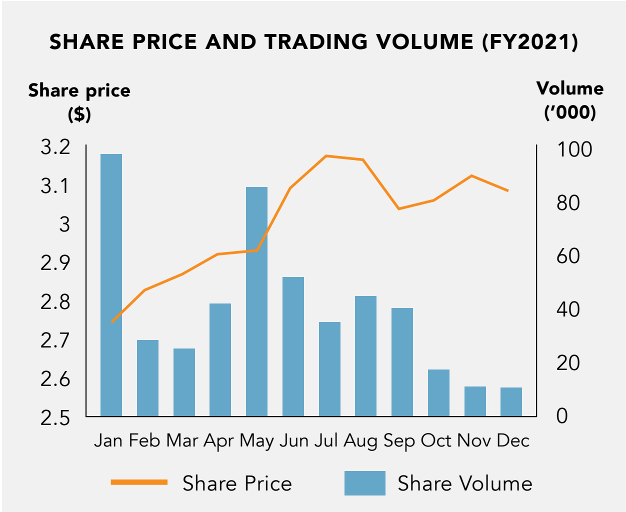
	2021 $'000	2020 $'000	Change %
Total Assets	**794,146**	**782,811**	**1.4**
- Property, plant and equipment	615,647	614,389	0.2
- Investment properties	109,772	107,705	1.9
- Investments	31,362	29,694	5.6
- Inventories	918	1,043	(12.0)
- Trade receivables and other receivables	6,749	13,243	(49.0)
- Cash and bank balances	29,139	16,202	79.8
Total Liabilities	**232,976**	**158,993**	**46.5**
- Trade and other payables	8,973	8,518	5.3
- Tax liabilities	27,581	22,264	23.9
- Bank borrowings	196,131	127,518	53..8
Capital and reserves	**561,170**	**623,818**	**(10.0)**
- Share capital	150,665	150,665	0
- Asset revaluation reserve	338,010	382,010	(11.5)
- Employee benefit reserve	32	180	(82.2)
- Fair value reserve	17,645	17,272	2.2
- Translation reserve	(2,232)	4,341	n.m
- Retained earnings	57,050	69,350	(17.7)

SHAREHOLDER RETURNS

Over the course of time, the Group aims to establish long-term capital growth for its shareholders and has a policy of retaining accumulated earnings, for future growth. The Group is also committed to rewarding its shareholders, and as such, it intends to distribute appropriate annual dividends as long as cash flow permits.

In FY2021, the Directors proposed a one-tier, tax-exempt first and final dividend of 2.5 cents per ordinary share. Amounting to approximately $2.5 million, the proposed dividend, if approved by shareholders at the upcoming Annual General Meeting, will be disbursed at a date to be announced.





#SureCanDo

Preserving

Amidst the pandemic, many businesses have been upended, particularly those affected by lockdowns and other public health measures. While we focus our efforts on reviving our business and economy, we are mindful of our continued responsibility in improving the health of our environment and communities.

SUSTAINABILITY REPORT

BOARD STATEMENT

Hotel Royal Limited's Board of Directors affirms that it provides strategic direction to the Group and specifically considers sustainability issues as part of its strategic formulation. The Board also acknowledges its responsibility for the Group's sustainability reporting and believes that the following report provides a reasonable and transparent presentation of the Group's strategy and environmental, social and governance (ESG) performance.

REPORTING FRAMEWORK

This Sustainability Report provides a summary of Hotel Royal's approaches, initiatives and strategies relating to its sustainable and responsible business practices. It discusses the development and progress of our sustainability journey in FY2021, and references the Global Reporting Initiative (GRI) Standards and SGX-ST Sustainability Reporting Guide (Practice Note 7.6). In preparing the Report, we focus on communicating value creation through our ESG strategies. This Report covers the ESG performance for all hotel operations within the Group over the reporting period. Information is extracted from primarily internal records to ensure accuracy and presented using internationally accepted measurement units.

STATEMENT OF ASSURANCE

We rely on our internal process to verify the accuracy of the ESG performance data and information presented in this Report. At the moment we do not engage the services of an independent assessor to appraise the contents of this Report, but may consider this in the future.

SCOPE

This Report covers Hotel Royal's business activities – namely hotel operations and food & beverage sales in its properties:

Singapore
Hotel Royal Singapore
Hotel Royal @ Queens

Malaysia
Hotel Royal Kuala Lumpur

* *Baba House and Hotel Royal Bukit Bintang are currently under major refurbishment and is not included in the Sustainability Report*
* *Hotel Royal Penang was suspended with effect from Nov 2021*

Thailand
Hotel Royal Bangkok @ Chinatown
Burasari Resort Phuket

FOREWORD BY THE CHAIRMAN

Dear Shareholders

In recognition of our stakeholders' increasing expectations for more proactive leadership on environmental, social and governance (ESG) matters, I am pleased to present the Group's Sustainability Report for FY2021.

It has been another unprecedented, challenging year for not only the Group, but for most companies around the globe. The sudden emergence of the Omicron variant In November 2021 had all economies around the world scrambling to contain its spread and curtailed plans for economic reopening.

Our immediate priority would be to get our operations back up to pre-pandemic levels, which will take a while before tourism can fully recover. In the meantime, we remain committed to the Group's long-term sustainability, and the Board will continue to oversee the identification and management of material factors in the Group's business sustainability.

The Board continues to play an integral role in leading our Group's sustainability endeavours. Through our management committee, we direct the efforts of the Group in implementing our sustainability management measures. These include but are not limited to, transparency in reporting, conducting risk governance, ensuring a culture of safety in daily operations as well as promoting diversity. We believe that close attention to such sustainability issues is critical to not only to profitability and shareholder value, but also to the long-term viability of our business.

Yang Wen-Wei
Chairman

31 March 2022

SUSTAINABILITY REPORT

ABOUT THIS REPORT

ORGANISATIONAL STRUCTURE

Executed by the Group's senior management, Hotel Royal's sustainability strategy is developed in consultation with the Board of Directors. Its Sustainability Committee, led by the Group's CEO, is tasked to review its material impacts, considering stakeholder priorities and in setting goals and targets, as well as collecting, verifying, monitoring and reporting performance data for this Sustainability Report.

CONTENTS OF THE REPORT

This Report begins with a review of the material aspects that both stakeholders and the Company view as being critical to the success and sustainability of the Company. We will seek to assess any changes in these material aspects when compared to the preceding year, where applicable, and look into issues that may have a large variance. These may include changes to the business environment, stakeholder feedback and sustainability trends.

HOTEL ROYAL'S SUSTAINABILITY POLICY

Hotel Royal Limited is a hospitality group that places much emphasis on executing a sustainable business strategy with profitability and shareholder value as foremost priorities. As a responsible corporate citizen operating in Singapore and the Asia-Pacific region, the Group adheres to the following principles:

1. Code of conduct and business ethics

Our Code of Conduct and Business Ethics lays out the principles that apply to all of the Group's employees. This Code covers, among other things, areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest.

We have also established a whistle-blowing mechanism to aid in the reporting of corporate misconducts. We do not engage in child labour or take unethical means, directly or indirectly, to provide business services in our day-to-day operations. By "indirectly", we are saying that we do not engage in business with partners, suppliers or third party manufacturers that are known to use unethical means in their business processes.

2. Health, safety and the environment

Management of health, safety and the environment is high on our list of priorities. We continuously seek to minimise the impact of our activities through water and energy conservation, as well as having a robust workplace safety management programme.

Please refer to the section on Corporate Social Responsibility on pages 50 - 51 of our FY2021 Annual Report.

3. Employees

We believe in engaging and developing our staff to their fullest by providing opportunities for development and growth.

Please refer to the People Report on pages 54 - 55 of our FY2021 Annual Report.

4. Community

We believe in giving back to the society through supporting various charitable initiatives and community projects.

Please refer to the section on Corporate Social Responsibility on pages 50 - 51 of our FY2021 Annual Report.

AVAILABILITY

A PDF version of the Annual Report, which encloses the full Sustainability Report, is available for download at our investor relations pages of our website – www.hotelroyal.com.sg, or at the SGX website.

MATERIALITY

Our sustainability process begins with the identification of relevant aspects which are prioritised as material factors when validated. The list of material factors is then assessed and adopted via a matrix-based approach based on likelihood and impact to address the Company's sustainability risk profile and priorities. We use this method to monitor our risk profile on a regular basis.

OUR STAKEHOLDERS

STAKEHOLDERS	HOTEL ROYAL'S COMMITMENT	ENGAGEMENT METHOD	FREQUENCY	KEY FEEDBACK/ CONCERN
INVESTORS	Maximise shareholder value through our corporate strategies and business fundamentals	• Annual General Meeting • IR Website • Emails	Annually / Throughout the year	• Sustainable profits and shareholder value • Long-term growth • High standards of corporate governance
CUSTOMERS	Maximise customer satisfaction through delivering quality service and products	• Ongoing operations • Collaterals • Guest feedback channels • Website	Ongoing	• Comfort of environment • Quality service • Timely response to feedback and complaints
EMPLOYEES	Maximise the full potential of our people resources through continual employee development and training	• Induction programmes for new employees • Staff training and development • Regular emails and meetings • Recreational and wellness activities • Employee feedback channels • Appraisals	Throughout the year	• Safe working environment • Good pay and benefits • Training and development opportunities
PARTNERS	Build strong partnerships with regulatory and non-governmental organisations in the pursuit of the best in environmental, health and safety standards in our operations	• Regular meetings, including new policies and practices • Conferences and forums	Throughout the year	• Timely payment to suppliers and service providers • Fair procurement practices
COMMUNITY	Minimise environmental impact and contribute to the communities where we operate in	• Outreach programmes • Sponsorship of events	Annually / Throughout the year	• Support from businesses in the area • Responsible and ethical business practices

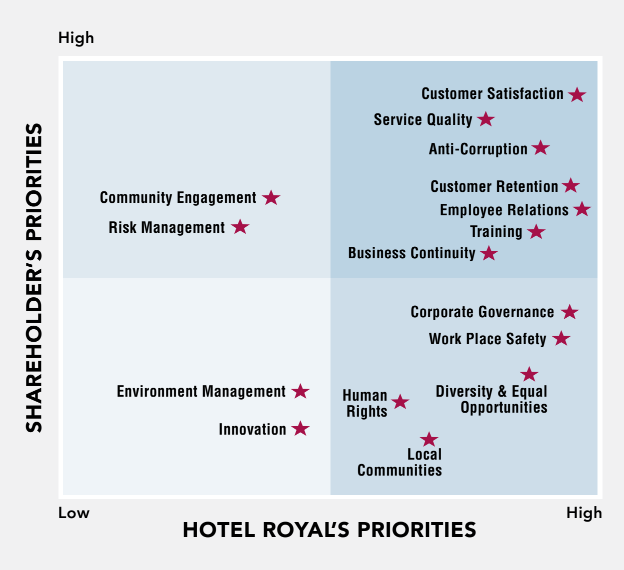
SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

Our regular interfaces with stakeholders have helped us to identify key priorities that we have included in our Materiality Matrix. It maps out the significant ESG and economic factors that impact our business, as well as insights gained from stakeholders.

It is reviewed regularly, taking into account the feedback that we receive from our engagement with a wide variety of stakeholders, broader sustainability trends and the issues facing the hospitality industry.

In this Report, we have expanded our coverage to include all of the Group's hotels in Singapore, Malaysia and Thailand.



MANAGING SUSTAINABILITY – IDENTIFICATION OF KEY SUSTAINABILITY ISSUES

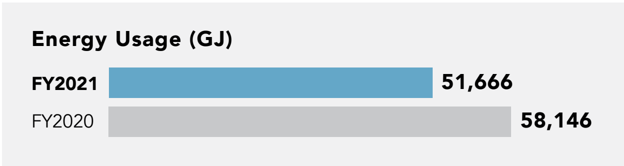
The Group has adopted the following Materiality Matrix approach to identify and prioritise key sustainability issues. Feedback was gathered from its stakeholders who formed the basis for determining the Matrix.

Based on feedback from our various stakeholders, we have shortlisted 11 material factors based on valuable insights that we have gained from our stakeholder engagement efforts, as well as factors that Management deems to have potential material impacts to our business operations. These are reviewed from time to time.

ENVIRONMENTAL MANAGEMENT

The Group aspires to better manage the impact that its operations have on the environment – namely, energy, water, and waste materials. Our hotels comply with the relevant policies laid out by the governments in Singapore, Malaysia and Thailand. In addition, we have stringent internal protocols to manage these environmental factors that our operations impact on the day-to-day.

ENERGY CONSUMPTION



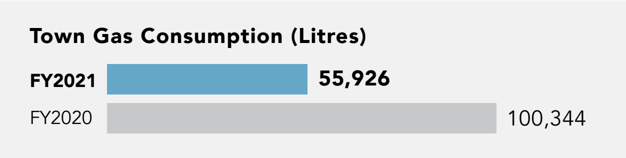
In FY2021, the Group's consumption of energy, which is mostly in the form of electricity drawn from municipal sources in the countries that we operate in, and used to power our operations.

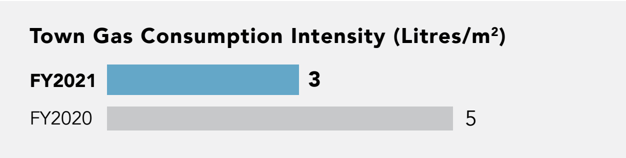
During the year in review, the Group's total electricity consumption declined by 11% to 51,666GJ, largely due to the significant lower volume of business in our hotels due to the pandemic as well as our ongoing initiatives to reduce consumption. These include shutting down chillers and air cooling towers during lull periods as well as maintaining equipment in tip-top condition to maximise energy efficiency.

As electricity consumption is a direct reflection of our activities in the hotel which is tied to occupancy, the consumption of energy will always commensurate with our business activities. However we endeavour to continually enhance energy efficiency by conducting energy audits at the individual property level.

In view of the gradual reopening of international and interstate travel in our markets, the Group expects consumption and intensity levels to be gradually increase in FY2022 and beyond.

GAS CONSUMPTION

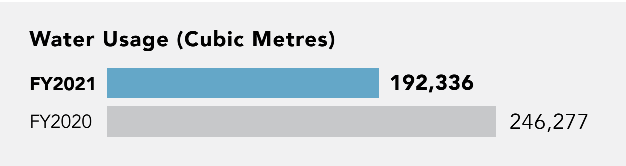




Town gas is mostly used in our hotels for cooking purposes and its usage is tagged to the level of food & beverage activities in the properties. Due to lower business volumes, the overall consumption of town gas in the Group's hotels fell by 44% year-on-year to 55,926 litres.

Overall gas consumption intensity, measured as litre per area of activity tracked, similarly declined by 40% to 3 litres per square metre.

WATER



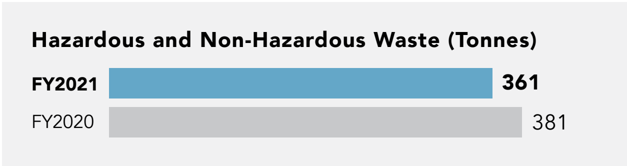
Water is an essential commodity in the all aspects of our hospitality operations – for food and beverage, housekeeping, laundry, recreational facilities, public amenities and guest rooms. As such we hold a strong responsibility in ensuring that water usage is optimised and not wasted unnecessarily.

We have in place water monitoring systems and water-saving initiatives to ensure the proper usage of this precious resource so essential in our business sustainability. These include the installation of motion sensor taps in public washrooms and water meters at different outlets for closer monitoring. We also submit water efficiency management plans to the relevant local authorities annually.

During the year in review, water consumption across the Group's properties decreased by 22% to 192,336 cubic metres. This was primarily due to lower business volumes during the pandemic-related movement restrictions as well as our water-saving initiatives.

We continue to focus on driving efficiency in the way we use water in our operations in the immediate future.

EFFLUENTS AND WASTE



As a Group, we have initiatives in place to minimise waste materials that would be generated in the course of our operations. We promote and practise "Reduce, Reuse, Recycle" policy across our properties. Proper recycling systems are in place to collect non-hazardous recyclables such as cardboard, paper, plastics and glass. We also recycle some hazardous wastes such as cooking oil and trapped grease with the relevant safety protocols. Third-party contractors are also engaged to dispose the hazardous and non-hazardous wastes. The dip of 5.2% in FY2021 was due to lower business volumes as a result of Covid-related restrictions.

SUSTAINABILITY REPORT

SOCIAL

At Hotel Royal, we believe that heartfelt, authentic connections make any hotel stay worth coming back for, to be the home away from home for our guests. That's essence of our brand and service credo, and to help us deliver this consistently, we have to ensure that our staff are continually motivated and trained.

CUSTOMER SATISFACTION, RETENTION & SERVICE QUALITY

	2021	2020	Change
Customer Satisfaction	89%	86%	3%
Employee Satisfaction	76%	68%	8%

Customer Satisfaction

The Group prioritises the comfort and satisfaction of its customers, in line with its service credo, and considers it mission critical to retain its clientele while continuing to attract new ones. Its staff are essential in delivering the quality service that customers expect, and as such, every year, the Group conducts annual survey to appraise how its hotels are performing with these two most important stakeholders.

In 2021, the Customer Satisfaction Survey reported a 3 percentage point improvement over the previous year, to 89%% across the Group's hotels, mainly boosted by the overall service improvements and upgraded facilities.

Employee Satisfaction

The Group achieved a score of 76% from its employees, which was an improvement of 8 percentage points year-on-year. This was largely due to the focus on teamwork amidst a very challenging economic and social landscape and job insecurity. Across the Group, we had also focused on retaining jobs rather than massive lay-offs. The suspension of hotel operations in Penang was the result of a strategic refocus.

We also continued to focus on OJT (on-the-job training) to further equip our staff to do their jobs well, and to boost their morale and confidence.

In addition to training, the Group also prioritised counselling to ensure that they understand their duties and responsibilities in service delivery. Our senior management takes time to read every feedback form submitted by our staff across the Group, and we aim to have a minimum score of 80% in the Employees Satisfaction Survey.

DIVERSITY AND EQUAL OPPORTUNITY

The Group places a high priority on achieving diversity and equal opportunity for all of its staff, and has nil tolerance for employee discrimination or gender-bias in its staff policies for human resource recruitment and advancement.

As at 31 December 2021, the Group has 431 employees at its operations in Singapore, Malaysia and Thailand.

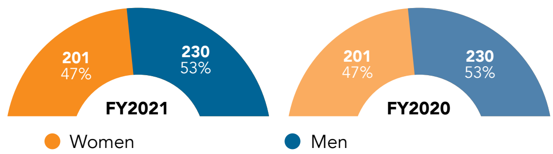
On a gender diversity basis, the Group had a total of 230 men and 201 women in its employment. This works out to be 53% men and 47% women at the Group level. This is an improvement over to FY2020's 57% men and 43% women. The Group reiterates that it does not practice gender discrimination and possessing the requisite skillsets is the paramount factor in our recruitment efforts.

Our goal is to always have a team of highly motivated and well-trained workforce to deliver our brand promise. To ensure this is achieved, the Group's properties have established an efficient workflow, talent management policies, and structured training programmes.

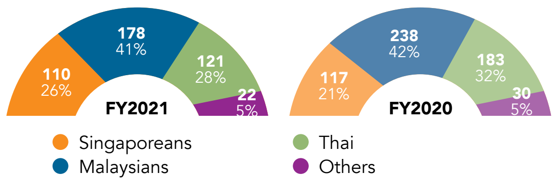
About 76% of the Group's workforce are technical and non-management (FY2020: 79%), while executives and above made up the remaining 24% (FY2020: 21%).

31% of the staff has been with the Group for more than 10 years (FY2020: 23%), while 42% have spent less than 5 years with the Group (FY2020: 48%).

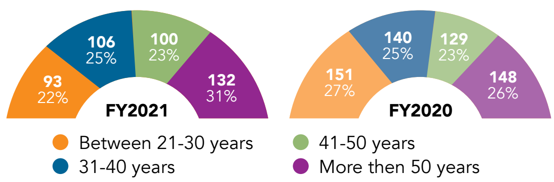
GENDER RATIO

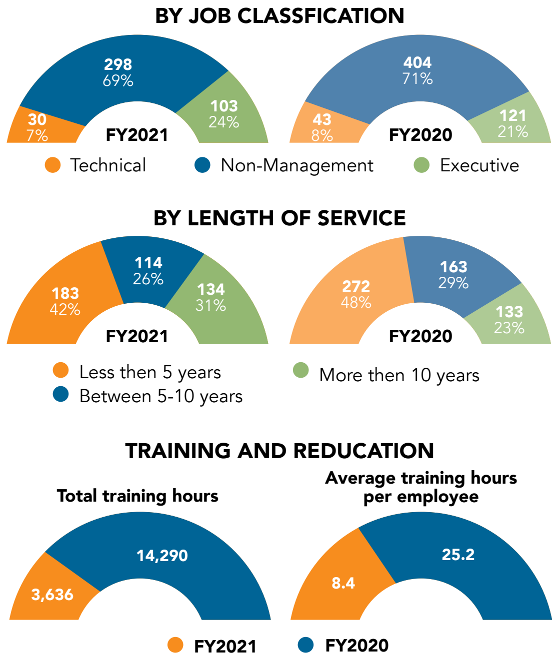


BY NATIONALITIES



BY AGE





Due to the Covid-19 pandemic, it was not possible to carry out our training programmes as planned. However, on-the-job training continued on a limited scale focusing on operational issues as well inculcating hygiene and safety protocols. During the year in review, much of the external training was conducted virtually. For instance, our hotel in Kuala Lumpur focused on human resource related topics such as hiring incentives and wage subsidies, rethinking alternatives for hospitality food & beverage, and maintaining exceptional guest experiences during the pandemic.

This led to a 75% decline in the number of training hours in 2021, to 3,636 hours. Average training hours per employee also dipped by 66% to 8.4 hours.

Notwithstanding, the Group continues to prioritise training as soon as our operations are normalised. As one of the few hospitality management companies that hold quality certifications such as the ISO, Singapore Quality Class Star (SQC Star) and Singapore Service Class, our training programme focuses on the four service deliverables – namely, customer service, attitude, recognition, and efficiency – as inspired by our service credo.

HUMAN RIGHTS

The Group is committed to upholding internationally accepted human rights principles, including those related to child labour, forced labour and human trafficking. Our policies are in compliance with the Singapore Prevention Against Human Trafficking Act 2014 (Chapter 45) as well as other prevailing legislations in the countries that we operate in.

We do not engage indirectly either in business with partners, supplier or third-party manufacturers that are known to use unethical means in their business processes. We also respect and protect the rights of our own employees and the freedom of association and collective bargaining.

In FY2021, we have not received any reports of labour or human rights violations.

WORKPLACE SAFETY

At Hotel Royal Group, our priority is to ensure the health and safety of our employees, and to foster a safer working environment for our workers by identifying and eliminating potential hazardous situations in the workplace. We also facilitate training and educating our employees and contractors to avoid any injuries or accidents. The guidelines also help us to ensure that industry best practices are adhered. As our employees are important ambassadors of our service credo, we emphasise their overall well-being and morale at the work place.

Each of our hotels has a workplace safety and health (WSH) committee which have representatives from management and staff, ensuring a collaborative approach to health and safety at the workplace. The committees regularly monitor and review each property's safety procedures and protocols, and for areas that may pose potential risks to staff and guests.

In addition, the Group has implemented various measure in view of the Covid-19 pandemic. These include:

- Registration of attendance for contact tracing purposes
- Temperature checks
- Safe distancing rules for employees on-site
- The wearing of masks at all times during work hours
- Split team arrangements with different working hours for each department
- Regular reminders on personal hygiene protocols.

The WSH committees also seek to identify risks and ranks safety hazards at the workplace, and regularly review them to ensure all outstanding issues are addressed and resolved, complying with prevailing safety standards and certifications.

	2021	2020
Workplace injury rate	0	0
Accident frequency rate	0	0
Accident severity rate	0	0

We continue to maintain our zero workplace accident record in 2021, underscoring the Group's unrelentless commitment to enforcing safe practices at the workplace.

Adhering to the industry's best practices, the WSH Committee has in place the relevant reporting channels for all accidents and injuries that occurred at the workplace, and monitored by the relevant human resource department.

In addition, our staff undergo training in workplace safety, first aid, handling fire hazards and evacuation exercises. In Singapore, the Company has been classified as Tier 1 by the Singapore Civil Defence which oversees such requirements and procedures.

LOCAL COMMUNITIES

	2021 $	2020 $	Change (%)
Community investments (S$)	3,870	7,582	(49%)

The Group believes in giving back to the community as an integral part of its role as a corporate citizen. However, the ensuing pandemic has made it difficult for the Group and staff to contribute funds and time to support the various causes in the community.

In 2021, the Group's contribution to the community declined by 49% year-on-year, in line with the adverse conditions that the pandemic has brought to the hospitality and tourism industries. We felt it would be prudent to conserve cash during this unprecedented global crisis.

Notwithstanding, our hotels did their part in reaching out to community charity groups and frontline workers during the pandemic. These include food distributions, donations to schools and orphanages, and beach clean-up initiatives.

GOVERNANCE

ENTERPRISE RISK MANAGEMENT

As evidenced by the pandemic, the business landscape gets increasingly volatile, fraught with lots of uncertainties. It is therefore even more important that in order to ensure the Group's sustainability, it is essential to manage its business risks as best that it can.

As such, the Group continues to adhere to its strict discipline of integrating strategic risk management practices in all of our decision-making processes. We adopt a structured approach to identifying and managing our risk profiles before making strategic decisions that would affect the Group's performance. These risk factors would include those pertaining to the overall market, credit, operations, legal, finance as well as environmental, social and governance (ESG) issues.

Our robust risk and control framework is also designed to ensure that our strategic business decisions prioritise stakeholder value while complying with the legal and regulatory requirements. At the same time, we consider the ESG issues, which are key to the Group's short, medium or long-term sustainability.

While identifying material issues, we also ensure that pertinent implications of legislative and regulatory changes as well as socio-economic and reputational drivers are well managed. We proactively seek to integrate sustainability considerations into our businesses, mitigate risks and continually look to enhancing our operations to deliver positive value to stakeholders.

Please refer to pages 84 to 90 of this Annual Report for a more detailed discussion of our Risk Management initiatives.

CORPORATE GOVERNANCE

The Group continues to be highly committed to the best practices of corporate governance which ensures a company's long-term sustainability, by adhering to both the letter and the spirit of Singapore's Code of Corporate Governance.

Please refer to pages 62 to 83 of this Annual Report for a detailed discussion of our Corporate Governance practices.

ETHICS AND REGULATORY COMPLIANCE

Ethics and integrity is of critical importance to the Group and we have adopted a zero-tolerance stance towards any form of bribery, corruption, fraud, money laundering and other financial crimes. We strictly respect all prevailing anti-corruption legislations in all the countries that we operate in.

As such, the Group's employees are expected to conduct themselves in an honest, professional way in their daily roles and responsibilities and in dealing with both internal and external stakeholders.

To guide our staff, we have established internal controls and written policies in the areas of Employee Code of Conduct, Conflict of Interest, Whistleblowing and Anti-Corruption. These policies are also communicated to new staff.

We also communicate our anti-corruption policies to all of our suppliers, contractors and other business partners at the onset of our working relationships. In addition, our Finance departments have strict oversight of payments and receipts with appropriate controls and procedures in place to monitor and prevent any irregular forms of payments and receipts.

The Group also has a set of guidelines for our employees concerning the receiving and giving of gifts, entertainment, sponsorships and charitable contributions in the course of business.

In FY2021, no reports of corruption or cases of suspected corruption or whistleblowing events was received.

Target	Performance in FY2021
Zero tolerance towards unethical, fraudulent or corrupt practices	Nil incident of corruption, fraud or other financial crimes

REGULATORY COMPLIANCE

The Group is also aware that regulatory compliance is critical to protect our brand and business, as well as to foster trust amongst our stakeholders. We have processes in place to keep up with the changes in the existing regulatory frameworks.

Target	Performance in FY2021
Zero non-compliance of relevant laws and regulations that result in significant fines or sanctions	Nil incident of non-compliance of relevant laws and regulations that result in significant fines or sanctions.

WHISTLE-BLOWING

The Group has in place a whistle-blowing policy, that allows for staff and other persons to report any matters that may be suspicious or concerns regarding business matters, from accounting, financial reporting, auditing, internal controls to business operations.

The policy provides procedures and practices to ensure concerns are investigated independently and followed up with the appropriate response.

This information is communicated to employees via an internal memorandum All employees may report any irregularities anonymously or otherwise with confidence that they shall face no reprisal.

INNOVATION

Our brand promise "Every Room A Home" motivates us to continually develop new ideas to improve our product and service offerings to our guests and customers. Innovation also comes in the form of logistics innovation whereby supply chains are better managed, or information to our customers are more quickly accessible through digitalisation.

Our people are continually trained and encouraged to enhance our service levels in order to remain competitive.

To date, most of our innovation is centred on saving operating costs and reducing wastage because we believe that it is critical that we make innovation an integral part of our daily lives.

CORPORATE SOCIAL RESPONSIBILITY

THE ENVIRONMENT

With the significant dip in cross-border travel due to ongoing Covid-19 restrictions in Singapore, Malaysia and Thailand, our hotels have made adjustments to its operations such as reducing hot water production; shutting down centralized chillers and cooling towers during the midnight hours; upgrading chillers to conserve energy; implementing smart usage of facilities and partial closure of parts of the property.

While these measures were essential for better operational efficiency, invariably these initiatives also helped to conserve resources.

In addition, we have stepped up the maintenance of our facilities and equipment to ensure that they run efficiently – such as, regular cleaning of filters for air-conditioning systems and preventive checks on all taps to avoid water leakage.

With CSR as one of the initiatives of its 5-Year Roadmap to future-proof its competitiveness and growth, the Group recognizes the need to enhance its efforts to reduce consumption and wastage of resources, as part of its response to the growing global emphasis on saving Gaia. In particular, it is committed to its role in preserving and conserving the environmental resources that its properties operate in.

We also have various initiatives in place to reduce our energy consumption, such as tapping solar energy to generate hot water; switching to energy-saving LED lighting; using motion sensors in lighting systems, as well as environmentally friendly VRV air-conditioning systems. In addition, we also encourage our staff to switch off lights during periods of inactivity and collect rainwater to wash common areas. These are in line with our commitment to reduce, reuse and recycle. Hotel Royal @ Queens has also obtained Green Mark certification and enhanced its building management system for more efficient monitoring.

We also believe that environmental management needs to be inculcated in all of our staff. At our properties, we hold regular briefings on the best practices in water and energy conservation to our staff.

Despite the pandemic, Burasari Resort continued to partner with the Patong Municipality in cleaning up Patong Beach.

THE COMMUNITY

As part of its CSR initiatives, the Group's hotels are committed to their responsibilities to serve the community.

In December 2021, Hotel Royal Kuala Lumpur sold newly-repaired discarded items to raise funds for 10 families affected by the severe floods which plagued many parts of Peninsular Malaysia.

With the protracted pandemic, needs continued to mount particularly with many livelihoods upended with the extended movement controls in Malaysia. Our hotel in Kuala Lumpur distributed dry goods to needy families of employees. Hotel Royal Penang provided food to front liners such as the police and KKM Jalan Perak, a medical clinic. It also donated food to an orphanage, Anak Yatim Perumpuan Ayer Item.

During the Hari Raya season, the hotel also donated RM1,000 to two orphanages, Pusat Jagaan Permata Kasih Alma and Pusat Jagaan Kasih Abadi in Penang. Our hotel in Kuala Lumpur cooked and distributed bubur lambuk, a traditional congee eaten during the fasting month of Ramadan, to all firemen on duty in the city.



THE ARTS

In 2021, the Group did not sponsor any room nights for our regular arts beneficiary, Theatre Practice. The Singapore-based arts group had not resumed its live shows and events in 2021 due to the continued pandemic restrictions. Instead, Theatre Practice continue to run online programmes. The Group remains as one of Theatre Practice's Company Patron in view of our long-term corporate sponsorship relationship.



#SureCanDo

Across our hotels in Singapore, Malaysia and Thailand, we continue to imbibe our 431 employees with our brand promise "Every Room A Home" in order to enable them to deliver memorable guest experiences everyday.

Alice Lau Yin Fun

Gina David Pinto

Tesoro Mary Grace Yarso

S Thien Hti

Against the backdrop of the pandemic in the last two years, our staff have risen to the occasion with their #SureCanDo spirit. Together, we have responded to the varied changes to public health protocols in each country with gusto and positivity. Now that we have endured the worst of the pandemic, we can only look forward to the immediate future with renewed hope and vigour.

Celebrating Excellence

In 2021, nine of our staff in Singapore gained recognition from the industry, winning accolades such as the Singapore Hotel Association's Excellence Service Award, held virtually on 31 March 2021, and the Service Gold "National Kindness Award" jointly organised by Singapore Hotel Association and the Singapore Kindness Movement. One of our staff also won the "Employee of the Year" award jointly organised by the Food, Drinks and Allied Workers Union (FDAWU), National Trades Union Congress (NTUC) and Singapore Hotel Association (SHA). Here are some of their stories:

"Employee of the Year – 2021"		
S Thien Hti	Senior Carpenter	Maintenance

Service Gold "National Kindness Award" 2021		
Alice Lau Yin Fun	Senior Guest Relations Officer	Front Office
Gina David Pinto	Room Attendant	Housekeeping

Excellence Service Award 2020 – held virtually on 31 March 2021			
Star Award	**Afi Sunani**	Floor Supervisor	Housekeeping
Gold Award	**Gina David Pinto**	Room Attendant	Housekeeping
	Mathanmogan Vikiramunathan	Maintenance Helper	Maintenance
	Suresh Subramaniam	Assistant Reservation Manager	Front Office
	Nadaraja A/L Lognathan	Bell Captain	Front Office
Silver Award	**Wong Yit Meng**	Floor Supervisor	Housekeeping
	Wang Dong Lan	Senior Attendant	Housekeeping

Top row (left to right): *Mathanmogan Vikiramunathan, Afi Sunani, Nadaraja A/L Lognathan, Wang Dong Lan.*
Bottom row (left to right): *Suresh Subramaniam, Gina David Pinto, Tesoro Mary Grace Yarso, Wong Yit Meng.*

Alice Lau Yin Fun – Senior Guest Relations Officer, Hotel Royal Newton

Winner of the Service Gold "National Kindness Award" in 2021, Alice, 72, has been with the hotel for 14 years, rising through the ranks from Front Office Assistant to Senior Guest Relations Officer.

With 22 awards under her belt, Alice is known to go the extra mile for guests and colleagues. A mother of three grown-up children, Alice has a keen sense of observation and a good listening ear, while exceptional service is second nature to her.

On 11 June 2021, Ms Nor was checking in at Hotel Royal Newton for a staycation with her four young children, and Alice went up to her to assist her, making sure that her special requests were taken note of.

It was raining that day, and the family was unable to utilise the pool session that they had booked in advance. Alice took the initiative to arrange a late check-out so that they would be able to enjoy some pool time before leaving the hotel.

In appreciation, Ms Nor wrote in her feedback form: "Could have gone anywhere but it's still the hotel of our choice because the hospitality is so warm, and they are accommodating and not rigid at all. Booking and check-in were handled by Alice. She was amazingly efficient. Everything we possibly could need was taken care of. Definitely going the extra mile. We truly appreciate the Hotel Royal Team. Thank you and hope to stay with you soon again."

Gina David Pinto – Room Attendant (Housekeeping), Hotel Royal Newton

Winner of this year's EXSA and National Kindness awards, Gina, 58, is a room attendant at Hotel Royal Singapore's Housekeeping department. She has been with the hotel since April 2009 and her friends and colleagues always appreciate her positive, friendly vibe that she brings to the workplace.

Aware that Mr Liu Hanwen, a 24-year old guest from China, who was in Singapore in January 2021 for about 2 weeks before moving to the United States for further studies, Gina checked in on him frequently. Apart from ensuring his room is always clean and tidy, Gina made sure that he felt right at home while staying at the Newton hotel.

Her kindness and thoughtfulness left a deep impression on Mr Liu. In his letter, he said that these wonderful memories will remain with him for a long time.

S Thien Hti – Senior Carpenter, Hotel Royal Newton

Senior Carpenter at Hotel Royal Newton, Myanmar-born Thien, 45, is the recipient of "Employee of the Year" 2021 Award jointly organised by the Food, Drinks and Allied Workers Union (FDAWU), National Trades Union Congress (NTUC) & Singapore Hotel Association (SHA).

Thien, who has been with the hotel for 7 years, was also a winner of the Group's Employee of the Year in 2020 before being nominated for the national awards. A friendly and helpful individual to his colleagues, Thien does not believe in taking shortcuts – he is known to always get the job done. From designing to assembling cabinets from scratch to refurbishing old furniture in the hotel, Thein takes his job very seriously.

Tesoro Mary Grace Yarso – Junior Captain at Trishaw Coffee House, Hotel Royal Newton

Grace, 44, joined the hotel in 2010 as Junior Captain of the coffee house. On 9 October 2021, Grace was rostered to be at the swimming pool to ensure that Covid-19 safe management measures were adhered to.

During her watch, there was a lady guest with 3 young children swimming at the time. One of the young children was struggling at the shallow end of the swimming pool and the lady guest was in shock. Grace responded immediately, and jumped in and assisted the child out of the water. She made sure that he was alright before wrapping him in a dry towel to further calm him down.

Grace was awarded a certificate of commendation by the hotel for her exemplary action.

Inculcating *#SureCanDo*

The Group strongly believes in training and retraining in order to home in on the principles of service excellence in our people.

Its ISO-certified staff training programme emphasises on four service deliverables – namely, customer service, attitude, recognition, and efficiency. In addition, it also provides on-the-job training (OJT) in front office, food & beverage, housekeeping and security, as well as training on first aid. The Group encourages all of its staff to have a holistic approach to customer service as well.

Motivating Our People

Apart from formal and on-the-job training, the Group also motivates staff through regular feedback sessions with senior management where staff can provide suggestions, resolve work-related issues and seek improvements.

Our staff can also participate in the annual Employee Satisfaction Survey which solicits feedback from staff about their training needs, job satisfaction, quality of the work environment, benefits and welfare. In 2021, the Survey garnered a 76% score amongst participating employees, which was an 8% point improvement over the 2020 survey.

We also track the annual Customer Satisfaction Survey to see how our customers score our services. In 2021, we scored 89% which was a 3 percentage point above the previous year. We also use this Survey to discuss with our staff how the Company as a whole can do better.

Apart from national awards, our best performing staff for the year are recognised internally through the "Outstanding Service Provider of the Year" Award and "Extra Mile Award". In addition, they also vie for the "Outstanding Service Providers" accolades each year.

AWARDS & ACCOLADES

1995
- Received Associate of the Arts Award from the Ministry for Information and the Arts

1996
- Awarded Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council

1997
- Awarded ISO 9002 certification by Spring Singapore

2001
- Awarded Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council

2002
- Awarded Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council

2003
- Received the SHA/Police/NCPC/STB Hotel Security Gold Award jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council

2007
- Received Supporter of the Arts Award from National Arts Council
- Received the SHA/Police/NCPC/STB Security Award

2008
- Received Supporter of the Arts Award from National Arts Council
- Received the SHA/Police/NCPC/STB Security Award

2009
- Awarded Singapore Service Class (SSC) and Singapore Quality Class (SQC) re-certification by SPRING Singapore
- Received Supporter of the Arts Award from National Arts Council
- Received the SHA/Police/NCPC/STB Security Award

2013
- Awarded Singapore Quality Class (Star) certification by SPRING Singapore
- Singapore Hotel Association Outstanding Star Award was conferred to Ms Alice Lau Yin Fun (Guest Relations Officer) for outstanding individual performance
- Received Supporter of the Arts Award from National Arts Council
- Received the SHA/Police/NCPC/STB Hotel Security Award

2014
- Awarded Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council
- Received Supporter of the Arts Award from National Arts Council

2015
- Received Friend of the Arts Award from National Arts Council
- Awarded Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Centre

2019
- Hotel Security Excellence Award from Singapore Police, Singapore Hotel Association and National Crime Prevention Council
- Commemorative Award (for being an EXSA Champion Organisation - 10 or more consecutive years of commitment and support to the Excellent Service Award Movement) at the Singapore Hotel Association's Excellent Service Award 2019
- Friend of the Arts Award by National Art Council

2020
- SGX Fast Track Program (2018 to 2021)(For being among the top percentile of all listed companies in Singapore for good corporate governance)
- Singapore Governance and Transparency Index 2020

  (Ranked 41 out of 577 SGX-listed companies who were assessed)

1998
- Awarded Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council

1999
- Awarded Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council

2000
- Received the SHA/Police/NCPC/STB Hotel Security Gold Award jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council

2004
- Received Supporter of the Arts Award from National Arts Council Awarded
- Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council

2005
- Awarded Singapore Quality Class (SQC) certification by SPRING Singapore
- Received Supporter of the Arts Award from National Arts Council
- Awarded Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council

2006
- Awarded Singapore Service Class (SSC) certification by SPRING Singapore
- Received Supporter of the Arts Award from National Arts Council
- Received the SHA/Police/NCPC/STB Hotel Security Gold Award

2010
- Received Supporter of the Arts Award from National Arts Council
- Received the SHA/Police/NCPC/STB Security Award

2011
- Finalist for Top Hotel for Hawker Food in Singapore by HotelClub
- Received Supporter of the Arts Award from National Arts Council
- Received the SHA/Police/NCPC/STB Hotel Security Award

2012
- Received Supporter of the Arts Award from National Arts Council
- Received the SHA/Police/NCPC/STB Hotel Security Award

2016
- Ranked 32 out of 631 Singapore listed entities in Singapore Governance & Transparency Index
- Awarded Hotel Security Awards jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Centre
- Received Friend of the Arts Award from National Arts Council
- Short listed for Singapore Productivity Awards by Singapore Business Federation

2017
- Awarded Transparency Award for SMEs by Singapore Securities Investors Association and Centre for Governance, Institutions and Organisation (CGIO) NUS Business School
- Awarded Hotel Security Excellence Award & Hotel Security Star Award jointly administered by Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council
- Recipient of Friend of the Arts Award from National Art Council

2018
- Best Investor Relations Award (Singapore Corporate Award) (Mid-Cap, Silver)
- Most Transparent Company Award (SIAS Investors' Choice Award) (Hotel/Restaurant, Winner)
- Hotel Security Excellence Award (Singapore Hotel Association, Singapore Police Force and National Crime Prevention Council)
- NFEC Fire Safety Award (National Fire & Civil Emergency Preparedness Council)
- Friend of the Arts Award (National Art Council)

- Our staff won 9 accolades in the Singapore Hotel Association's Excellence Service Awards - comprising 2 Star awards, 2 Gold awards and 5 Silver awards

2021
- SGX Fast Track Program (2018 to 2021)
  (For being among the top percentile of all listed companies in Singapore for good corporate governance)
- One of the recipients for Employee of the Year Award organised by FDAWU (Food, Drinks and Allied Workers Union)

- 2 accolades in the SHA/SKM Service Gold National Kindness Award
- 7 accolades in the Singapore Hotel Association's Excellence Service Award
  (1 Star award, 4 Gold Awards and 2 Silver awards)
- SG Clean Certification (since July 2020)

Corporate Governance Report

The Board and management of Hotel Royal Limited firmly believe that the Group's unwavering commitment to the best practices of corporate governance is essential to its sustainability and performance in the long-term. Driven by a strong sense of creating value and accountability towards its investors and stakeholders, Hotel Royal's quest for corporate excellence lies in its belief in developing and maintaining sound, transparent, consistent policies and practices. The Group is focused on complying with the latest updated versions of Singapore's Code of Corporate Governance – not only to the letter of the Code but to the spirit of the Code as well. In doing so, we endeavour to achieve operational excellence and long-term strategic objectives for long-term growth and value for our shareholders.

SGX Fast Track Program
2018 - 2021

Best Investor Relations Award
Singapore Corporate Award
Mid Cap, Silver
2018

Most Transparent Company Award
SIAS Investors' Choice Award
Hotel / Restaurant, Winner
2018

CORPORATE GOVERNANCE REPORT

Hotel Royal Limited (the "**Company**", together with its subsidiaries, the "**Group**") is committed to achieving the highest standards of corporate governance, to promote corporate transparency, to protect the interests of its stakeholders and to enhance shareholder value. The Board of Directors (the "**Board**") and Management believe that sound corporate governance supports long-term value creation.

This report describes the Company's corporate governance framework and practices for the financial year ended 31 December 2021 ("**FY2021**") with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**"). For FY2021, the Company has complied with all the principles of the Code and substantially all the provisions set out thereunder. Variations in practice from any provision of the Code are explained in this report.

The Annual Report should be read in totality for Hotel Royal's full compliance.

I. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

PROVISION 1.1

Principal Duties of the Board

The Board is collectively striving to create value for its shareholders so as to ensure the long-term success of the Group through the development of the appropriate strategy, business model, risk appetite, compensation framework, and succession planning. The Board also sets the tone for the entire organisation with regards to its values and standards, including established ethical standards and policies within the Group. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. It believes that when making decisions, all Directors of the Board should discharge their duties and responsibilities at all times as fiduciaries, and act objectively in the interests of the Group, while holding Management accountable for performance.

The principal functions of the Board, in addition to carrying out its statutory responsibilities, inter alia, are as follows:

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its strategic objectives;
- establish and maintain a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and Group's assets;
- Oversees and reviews the management of the Group's business affairs, including financial controls, financial performance reviews, key operational initiatives, resource allocation, compliance and corporate governance practices;
- constructively challenge Management and review its performance and remuneration packages;
- identify the key stakeholder groups and recognise that their perceptions will affect the Company's reputation;
- set up the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- consider sustainability issues including environmental, social and governance factors as part of its strategic formulation of the Group;
- approve the release of the Group's half yearly and full-year results and related party transactions of a material nature; and
- assume the responsibilities for the corporate governance.

Independent Judgement

The Board and Management believe that a robust and effective Board must engage Management in open and constructive discussion and challenge Management that its assumptions and proposals are not detrimental to good corporate governance.

Each Director is to exercise his due diligence and independent judgement to act in good faith and in the best interest of the Company and works with Management to take objective decisions in the interest of the Group, so as to enhance the long-term value of the Group to its shareholders.

Conflict of Interest

Any Director facing a conflict of interests will recuse himself from discussions and decisions involving the issue of conflict.

All Directors update the Board on a timely basis, through the Company Secretary, of interest in new companies that were not previously disclosed to the Board. Additionally, at the start of each financial year, all Directors are to submit a letter to the Company Secretary of all their interest in other companies, which are to be read and acknowledged by the Board. This is to better monitor any related or interested persons' transactions.

In view of the need to ensure that corporate governance systems function effectively, the Company proactively and promptly disclose information in a manner that promotes proper and transparent operations.

PROVISION 1.2

Board Orientation and Training

Director Orientation

A formal appointment letter is sent to all newly-appointed Directors upon their appointment, explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board. All new Directors are oriented by senior Management with the Company's and Group's businesses and operations, its significant financial, accounting and risk management issues, code of corporate governance, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction, its principal officers and independent auditors. During the year under review, there were no new Director appointments in the Company.

Training

Directors' training and development is an important element of good corporate governance.

To keep pace with regulatory changes, the Director's own initiatives are supplemented from time-to-time with information, updates, sponsored seminars conducted by external professionals and relevant courses conducted by the SID, including any changes in legislation and financial reporting standards, government policies, regulations and guidelines from SGX-ST and ACRA that affect the Company and/or Directors in discharging their duties. Directors can request for further explanations and conduct informal discussions on any aspect of the Group's operations or business issues with Management. During the year, the Company Secretary provided updates on regulatory changes and apprised of amendments to the Listing Manual and relevant media releases by the SGX-ST and ACRA.

In FY2021, the Company's external auditors provided updates to the ARC on new and revised financial reporting standards that are applicable to the Company and Group.

The Company has set aside funding and will be responsible for arranging and funding the training of Directors.

Directors are encouraged to constantly keep abreast of developments in regulatory, legal, and accounting frameworks that are of relevance to the Group, through the extensive opportunities for participation in training courses, seminars and workshops, as relevant and/or applicable. Directors are at liberty to request for any further explanations, briefings or information on other aspects of the Company and/or the Group's operations or business issues from Management when required. The Board is regularly updated on risk management, corporate governance, and other major changes in the regulatory requirements and financial reporting standards that are relevant to the Group.

Relevant new releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") and news articles which are relevant to the Group's business are circulated to the Board

PROVISION 1.3

Board Approval

Internal Limits of Authority

The Group has internal guidelines governing matters that require the Board's approval which include: -

- approval of the Group strategic objectives;
- approvals of the annual operating and capital expenditure budgets and any material changes to them;
- review of performance in the light of the Group strategic objectives and business plans;
- changes relating to the Group capital structure including reduction of capital and share issue;
- approval of the half-yearly and full year's results announcements, annual reports and financial statements, including the corporate governance report;
- approval of the dividend policy and declaration of the interim dividend, if any, and recommendation of the final dividend;
- approval of any significant changes in accounting policies or practices;
- ensuring maintenance of a sound system of risk management and internal controls;
- approval of major capital projects;
- contracts regarding acquisitions or disposals of major fixed assets (including intangible assets such as intellectual property) and substantial bank borrowings;
- major investments and expenditure;
- approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting including approval of all circulars and prospectuses;
- approval of press releases concerning matters decided by the Board;
- changes to the structure, size and composition of the Board, including following recommendations from the NC regarding appointment, cessation of Directors, members of Board Committees;
- determine the remuneration policy for the Directors, and other senior executives including the introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval;
- establish board committees and approving their terms of reference, and approving material changes thereto;
- approval of policies, including, code of conduct, share dealing code, whistle blowing policy, environment and sustainability policy and corporate social responsibility policy;

- any decision likely to have a material impact on the Company or Group from any perspective, including, but not limited to, financial, operational, strategic or reputational; and
- appointment and removal of Company Secretary.

The Group has established financial authorization limits for matters such as capital budgets, credit limits and the acquisition and disposal of investments. The Board approves transactions exceeding a certain threshold limits, while delegating the authority for transactions below those limits to Management in order to optimize operational efficiency.

The matters which are decided and approved by the Board are clearly documented in the minutes of the meetings and board resolutions, and kept with the Company.

PROVISION 1.4

Delegation by the Board

Board Committee

To assist in the execution of its responsibilities, the Board has established a number of committees, including an Audit and Risk Committee ("**ARC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**"). These committees are chaired by Independent Directors and function within clearly defined terms of reference and operating procedures. The terms of reference for each Board Committee set out the responsibilities of the Board Committee, conduct of meetings, including quorum, voting requirements and qualifications for Board Committee membership. The terms of reference are reviewed on a regular basis to ensure their continued relevance and efficacy. Any change to the terms of reference for any Board Committees requires Board approval.

These committees review matters on behalf of the Board and are subjected to the terms of the relevant committee's terms of reference:

- refer matters to the Board for decision, with a recommendation from the committee (where the committee acts in an advisory capacity); or
- determine matters (where the committee acts with delegated authority), which it then reports to the Board.

The minutes of Board Committee meetings, which records the key deliberations and decisions taken during these meetings, are circulated to all Board members for their information.

While the Board Committees have been delegated power to make decisions within the authority delegated to the respective committees, the ultimate responsibility for the decisions and actions rests with the Board as a whole.

COMPOSITION OF BOARD AND BOARD COMMITTEES

Director	Board Membership	Committee Membership		
		Audit and Risk	Nominating	Remuneration
Yang Wen-Wei	Independent Non-Executive Chairman	Member	Chairman	Chairman
Dr Tan Kim Song	Independent Non-Executive Director	Chairman	Member	Member
Lee Khin Tien	Non-Executive Non-Independent Director	Member	Member	Member
Lee Kin Hong	Non-Executive Non-Independent Director	–	–	–
Dr Lee Chu Muk	Non-Executive Non-Independent Director	–	–	–
Lee Chou Hor George	Non-Executive Non-Independent Director	–	–	–

PROVISION 1.5
PROVISION 1.6

Board Meetings and Attendance

The attendance of the directors at scheduled Board and Board Committee Meeting during FY2021 is as follows:

Director	Board Meeting	Board Committee Meetings			Non-Executive Directors' Meeting (without presence of Management	AGM
		Audit & Risk	Nominating	Remuneration		
Dr Tan Kim Song	4	4	1	1	1	1
Yang Wen-Wei	4	4	1	1	1	1
Lee Khin Tien	4	4	1	1	1	1
Lee Kin Hong	4	–	–	–	1	1
Dr Lee Chu Muk	4	–	–	–	1	1
Lee Chou Hor George	4	–	–	–	1	–
Dr Pang Eng Fong*	2	2	1	–	1	1
No. of Meeting Held in FY2021	**4**	**4**	**1**	**1**	**1**	**1**

* Dr Pang Eng Fong retired as Lead Independent Non-Executive Director and Non-Executive Chairman on 24 April 2022.

Board Meetings

Each Director exercises equal responsibility in overseeing the business and affairs of the Company and objectively takes decision in the interest of the Company.

The schedule of all Board, Board Committee meetings and annual general meeting is notified to all Directors well in advance at the beginning of each financial year, in consultation with the Directors. The Board met on a quarterly basis in FY2021 to review inter alia the financial results and updates on the Company's and Group's developments.

Management has supplied the Board with adequate information in a timely manner, so as to ensure that the Board has adequate time to review the materials, and to facilitate constructive and effective discussions during meetings.

The Company's Constitution also provides for the Board to conduct its meeting via teleconferencing or videoconferencing on a timely basis when physical meeting is not possible. The Board and its sub-committees may also make decision through circular resolutions in writing, including by electronic means.

In each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval. The Management's proposals submitted to the Board for approval are accompanied with detailed background and explanatory information such as facts, resources, requirements, financial impact, risk analysis, disclosure requirements under the Listing Rules of SGX-ST, and recommendations. The exception is where a Director has a conflict of interest in a particular matter, in which case he will be required to recuse himself from the deliberations and abstain from voting on the matter. This principle of collective decisions adopted by the Board ensure that no individual influences or dominates the decision-making process.

If a Director is unable to attend a Board or Board Committee meeting, the Director will receive all the meeting papers so that he can review them and let the Chairman of the Board or Committee Chairman have his views, which will be conveyed to other members at the meeting.

Multiple Board Representations

Limit on Other Directorships in Listed Entities

Other than directorships in the Company, none of the Directors hold directorships in other listed companies during FY2021 and preceding three years. The Board is of the view that a Director should not hold more than four directorships in listed entities for a director with full-time employment and not more than six directorships in listed entities for a Director with no full-time employment. All Directors are required to declare their board representations at the first Board meeting of each financial year and to inform the Board as and when there are new board representations.

Access to Information

The Company recognises the importance of continual dissemination of relevant information which is explicit, accurate, timely and vital to the Board in exercising its duties. As such, the Board is provided with the report on the Company's progress and drawbacks in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues encountered by the Company prior to the Board meetings so that the Directors would have sufficient time to understand the matters which are to be discussed.

Directors are entitled to request from Management additional information to help them make informed decisions. Management shall provide the same to the Directors in a timely manner.

Management keeps the Board informed of the Group's operations and performance through regular updates and reports as well as through informal discussion. Prior to any meetings of the Board or Board Committees, Directors are provided, where appropriate, with management information to enable them to participate at the meetings. The Chief Executive Officer ("**CEO**") of the Company is present at Board and Board Committee's meetings to address any queries which the Board may have. The CEO also provides update on business and strategic developments pertaining the Group's business to the Directors at each Board meeting during FY2021.

PROVISION 1.7

Access to Management and Company Secretary

All Directors have separate and independent access to the Management in order to better understand the challenges faced by the Group as and when further enquiry or additional information is required. Management endeavours to meet their requirements in a timely manner so as to enable them to make informed decisions. The input of the Director, through such engagement, provides valuable perspective to Management. Directors also have ongoing interactions across various levels and functions within the Company.

The Directors also have separate and independent access to the Company Secretary. The Secretary play a significant role in supporting the Board in discharging its duties and are trained in company secretarial practices. The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. She administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. Her responsibilities also include advising the Board on all governance matters as well as facilitating orientation and assisting with professional developments as directed by the Chairman.

The Management together with the Company Secretary also ensure that the Company complies with the applicable statutory and regulatory rules. The Directors can contact the Management and the Company Secretary via video-conferencing, emails, text messages, telephone or meet up in a physical meeting.

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

Independent Professional Advice

Professional advices can be sought by the Board when necessary to enable the Board or its Independent Directors to carry out their roles effectively. Individual Directors may also obtain professional advice to assist them in the execution of their tasks, subject to the approval from the Chairman, at the Company's expense.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

PROVISION 2.1

Board Independence

The Board, taking into account the NC's view, assesses the independence of each Director (with special attention given to Directors who has served for more than 9 years) in accordance with the Code on an annual basis.

An independent director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders* or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. In line with the guidance of the Code, the Board also takes into account of the existence of such relationships or circumstances, if any, including the employment of a director, or an immediate family member, by the Company or any of its related companies during the financial year in review or any of the previous three financial years; the acceptance by a director, or an immediate family member, of any significant compensation from service to the Board; and a director being related to any organisation from which the Company or any of its subsidiaries received significant payment or material services during the financial year in review or the previous financial year.

Disclosures of Directors' interests and their interest in transactions are standing agenda items in all Board meetings, and such disclosures would be circulated and tabled for Board members' information, as appropriate.

On this basis, Mr Lee Khin Tien, Mr Lee Kin Hong, Dr Lee Chu Muk and Mr Lee Chou Hor George are non-Independent Directors. All other Directors, namely Mr Yang Wen-Wei and Tan Kim Song are considered to be independent.

* A substantial shareholder is a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the Company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the Company.

In assessing the independence of the Directors, the Board through the NC has examined the different relationship identified by the Code and the Guide that might impair the Directors' independence, and is satisfied that Mr Yang Wen-Wei and Dr Tan Kim Song are independent and able to act with independent judgement.

There is presently a strong independent element on the Board, the independence of each Director is assessed and reviewed by the NC annually. Consistent with previous practice, the NC had undertaken a rigorous review of the independence of each Independent Director. Led by the NC Chairperson and facilitated by the Company's external corporate secretarial service provider, the assessment was conducted by means of a confidential and incisive questionnaire completed by each Director and a declaration of independence completed by each Independent Director. The results were analyzed and discussed at the NC and Board meetings. Each member of the NC had abstained from deliberations in respect of the assessment on his own independence.

Each of Independent Director also confirmed that they are independent and have no relationship identified in the Code and listing rules of the SGX-ST. Through the NC, the Board considers all two independent Directors, Mr Yang Wen-Wei and Dr Tan Kim Song to be independent including independence from the 5% shareholders of the Company

The Code states that the independence of any Director who has served on the Board beyond 9 years from the date of his first appointment should be subject to particularly rigorous review. As at 31 December 2021, there was no director who has served more than 9 years on the Board.

During FY2021, the Company had complied with the relevant provisions of the Code and Listing Rules as there was a strong and independent element on the Board with an independent Chairman, one-third of the Board being Independent Directors and all the Directors are non-executive directors. The non-executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business.

The Board enjoys open, candid and robust discussion and no individual or small group of individuals dominate the Board's decision making. All independent directors have unrestricted and direct access to Management so that they can seek clarifications before or after Board meetings.

All the Directors have equal responsibility for the performance of the Group. The role of the Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the management are fully discussed and rigorously examined and taking into account the long-term interests of not only shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts its business.

PROVISION 2.2
PROVISION 2.3

Proportion of non-executive independent directors

The Chairman is an Independent Non-Executive Director and the Non-Executive Independent Directors forms one third of the Board composition.

All the Directors are non-executive.

The profiles of the Directors are set up on pages 8 to 9 of this Annual Report.

The Company has complied with the required provisions.

PROVISION 2.4

Board Composition

Board Size
The Board believes that it should generally have at least 6 members and not more than 9 Directors. This range permits a good mix of expertise and experience without hindering effective deliberation.

The sizes and composition of the Board and Board Committees are reviewed annually by the NC to ensure that the sizes of the Board and Board Committees are appropriate so as to facilitate effective decision making. The review will ensure that there is an appropriate mix of expertise and experience, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The Board, with the concurrence of the NC, is of the opinion that its current board size and composition is appropriate to facilitate effective decision making, taking into account the nature and scope of the Group's operations and the wide spectrum of skills and knowledge of the Directors.

Board Diversity
The Board and its Board committees collectively possesses the core competencies, appropriate mix of expertise and experience for effective functioning and decision-making. Together, the Board and Board Committees comprise Directors who as a group provide a broad range and an appropriate balance and diversity of expertise in areas such as accounting, finance, knowledge of the Company's business, management and operations experience and strategic planning experience, knowledge and age as well as familiarity with regulatory requirements. The diversity of the Directors' experience allows for useful exchange of ideas and views.

The Board has recently adopted a written Board Diversity Policy which recognizes the importance of diversity at the recommendation of the NC. The Board firmly believes that its effectiveness and decision-making will be enhanced as it harness the variety of skills, industry and business experiences, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service, and other distinguishing qualities of its own diverse Board. The NC is responsible for administering this policy and for evaluating it annually.

The Board is aware that gender diversity on the Board is one of the recommendations under the Code to provide an appropriate balance of diversity. The Board is currently looking for a suitable independent female director to increase the number of independent Directors.

The Board has taken the following steps to maintain or enhance its balance and diversity:

(a) assessing the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
(b) evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The profile of the Directors and other relevant information are set out under the "Board of Directors" section on pages 8 and 9 of this Annual Report.

The shareholdings of the individual Directors of the Company are set on page 167 of this Annual Report. None of the Directors hold shares in the Company's subsidiaries.

PROVISION 2.5

Meeting of Independent Directors without Management

Independent Directors' Meetings
The independent Directors communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives, the performance of the Management, and the remuneration of the senior Management.

During FY2021, the Independent Directors led by the Independent Chairman had met at least once without the presence of the Management to discuss about the performance of Management. They provided feedback to the Board after such meeting, as appropriate.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

PROVISION 3.1

Separation of the Role of Chairman and the Chief Executive Officer ("CEO")

Relationship Between Chairman and CEO
Mr Yang Wen-Wei is the Independent Non-Executive Chairman. The Chairman and the CEO are two separate persons who are not related.

PROVISION 3.2

Role of Executive Chairman and CEO

Chairman's Role
The Chairman's roles in relation to Board matters are as follows:

- lead the Board to ensure its effectiveness on all aspects of its role;
- set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promote a culture of openness and discussion at the Board;
- encourage constructive relations between the Board and Management;
- exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
- ensure effective communication with shareholders and other stakeholders;
- facilitate the effective contribution of all Directors; and
- promote high standards of corporate governance with full support of the Board, the Management and the Company Secretary.

There is a clear division between the leadership of the Board and the CEO. The CEO's functions include the overall management, implementing the strategic direction of the Board and the overall management and the realisation of organisational objectives of the Group. No one individual represents a considerable concentration of power.

PROVISION 3.3

Appointment of Lead Independent Director

Role of the Lead Independent Director

The Code provides for a Lead Independent Director to be appointed by the Board in situations where the Chairman is conflicted and when the Chairman is not independent. For FY2021, the NC and the Board, having taken into consideration the Company's current business operations and current Board size were of the view that the appointment of Lead Independent Director was not necessary.

Although no Lead Independent Director has been appointed, the Company's Independent Directors set aside time to meet (with the presence of other Directors) at least once a year. They provide their feedback to the Chairman of the Board. The Independent Director meet regularly with, and have unrestricted access to the CEO, other senior management members, as well as other Non-Executive Directors to discuss matters relating to the Group.

Directors and Management are also accessible to the Company's Shareholders, and the Company has always responded to queries raised by its shareholders. The absence of a Lead Independent Director has not impacted, and is unlikely to impact, the efficient communication between the Board and the shareholders or other stakeholders of the Company.

The current Board Chairman, Mr Yang Wen-Wei, is an Independent Director. As such, the appointment of a Lead Independent Director is not necessary. Nevertheless, the Board will, on an annual basis, examine the need for the appointment of a Lead Independence Director.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

PROVISION 4.1
PROVISION 4.2

NC Composition and Role

The Nominating Committee

The NC is established for the purpose of ensuring there is a formal and transparent process for all Board appointments, taking into account the need for progressive renewal of the Board.

NC Composition: The NC consists of three Directors; namely, Mr Yang Wen-Wei (Chairman), Dr Tan Kim Song and Mr Lee Khin Tien. 67% of the members of the NC, including its Chairperson, are independent.

Key Terms of Reference: The key terms of reference of the NC are to:

- evaluate and review nominations for appointment and re-appointment to the Board and the various committees;
- nominate Directors for re-election at the AGM, having regard to the Director's contribution and performance;
- determine annually and as and when circumstances require if a Director is independent;
- recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director and annual assessment of the effectiveness of the Board;
- decide whether a Director who has multiple board representations is able to and has been adequately carrying out his duties as Director of the Company;
- review and make recommendations to the Board on the succession plans for Directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- review training and professional development programs for the Board and its Directors; and
- perform such other functions as may be assigned by the Board.

The NC and the Board will, at least once every year, review the terms of reference of the NC.

PROVISION 4.3

Board Renewal & Succession Planning

Succession Planning: Succession planning is a critical part of the corporate governance process. The NC seeks to refresh the Board membership in an orderly and progressive manner, so as to avoid losing institutional memory.

The NC is responsible for identifying and recommending new members to the Board for approval, after considering the necessary and desirable competencies such as their integrity, skills, experience, financial literacy and diversity of expertise. Accordingly, in selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC may engage consultants to undertake research on, or assess, candidates for new positions on the Board, or to engage such other independent experts as it considers necessary to carry out its duties and responsibilities.

The NC also reviews the succession planning for senior management, especially the CEO. As part of this review, the successors to key positions are identified, and development plans are instituted for them.

The NC conducts a regular review of the succession plan for Board members, the CEO and senior management of the Company.

Process for Selection and Appointment of New Directors

The Board considers the benefits of diversity of skills, experience, background, gender, age, ethnicity and other relevant factors. When a vacancy arises under any circumstance, either as part of the Board renewal process or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC or the Board would determine the selection criteria and sources for candidates. The NC would make reference checks, meet up with the candidates, assess their suitability, and make recommendation to the Board. Shortlisted candidates would meet up with the other Board members before the Board approves the appointment.

CORPORATE GOVERNANCE REPORT

Process for Re-appointment of Directors

Re-Nomination of Retiring Directors: The NC reviews and recommends to the Board the re-nomination of retiring Directors standing for re-election and appointment of new Directors. The review ensures that the director to be re-nominated or appointed is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgement, and has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities.

All directors will submit themselves for re-election at regular intervals of at least once every three years. Pursuant to Article 117 of the Company's Constitution, at least one-third of the directors shall retire from office at the Company's Annual General Meeting. In addition, Article 122 of the Company's Constitution provides that a newly appointed director must submit himself for re-election at the Annual General Meeting following the appointment.

The NC has recommended to the Board that Mr Yang Wen-Wei and Mr Lee Khin Tien (retiring pursuant to Article 117), be subject to retirement by rotation pursuant to Company's Constitution. Mr Yang Wen-Wei and Mr Lee Khin Tien have consented to continue in office and have offered themselves for re-election at the coming AGM of the Company. In recommending the re-election of Mr Lee Khin Tien and Mr Yang Wen-Wei, the NC has considered the Directors' overall contribution, attendance and participation at Board and Board Committee meetings. The Board has accepted the NC's recommendation.

Each member of the NC had abstained from voting on any resolution and making any recommendation and/or participated in respect of his own re-election, if any, as Director of the Company.

Details of the Directors seeking re-election are set out on pages 172 to 175 of this Annual Report.

Alternate Directors

Alternate Directors: The Board does not provide for the appointment of alternate directors. The Company currently does not have any alternate Director on the Board.

PROVISION 4.4

Continuous Review of Directors' Independence

Annual Review of Directors' Independence: In recommending the above Directors for re-election, the NC has given regard to the results of the board assessment (please refer to paragraphs under Board Performance regarding assessment of Board performance) in respect of his competencies in fulfilling his responsibilities as Director of the Board. The NC has also reviewed the independence of Mr Yang Wen-Wei and Dr Tan Kim Song. In assessing their independence, the NC having considered the guidelines set out in the Code and the Guide, is of the view that Mr Yang Wen-Wei and Dr Tan Kim Song are independent. There are no relationships identified in the Code and the Guide which would deem them not to be independent. Mr Yang Wen-Wei and Dr Tan Kim Song have also declared that they are independent.

The Board recognises the Independent Directors' contribution and that they have over time developed an in-depth understanding of the Group's business and operations. The Independent Directors provide invaluable contributions to the Group.

PROVISION 4.5

Directors' Time Commitments

To address competing time commitments when Directors serve on multiple boards, the Board had set a maximum limit of four directorships that directors may hold concurrently in listed companies for a director with full-time employment, and a maximum limit of six directorships in listed companies for a director with no full-time employment. None of the Directors hold board seat in other listed companies during FY2021.

All Directors are required to declare their board representations. When a Director has multiple board representations and heavy principal commitments, the NC will consider whether the Director is able to adequately carry out his duties as a Director of the Company.

The NC has reviewed each Director's external directorships, their principal commitments, as well as each Director's attendance and contributions to the Board. Though some Directors hold multiple directorships in non-Group entities, the NC is satisfied that these Directors spent adequate time and attention to the Company's affairs and have discharged their responsibilities.

Initial appointment and last Re-Election of Directors

Details of the year of initial appointment and last re-election of the Directors together with their directorships in other listed companies are appended below:

Director	Position	Date of Initial Appointment	Date of Last Re-election / Re-appointment	Other principal commitments	Present directorships in other public listed companies
Yang Wen-Wei	Independent Non-Executive Chairman	28 April 2018	27 April 2019	Executive Operating Officer of Merdeka Construction Company Pte. Ltd.	None
Dr Tan Kim Song	Independent Non-Executive Director	2 March 2015	27 June 2020	Associate Professor of Singapore Management University	None
Lee Khin Tien	Non-Executive Director	31 December 1996	27 June 2020	Director of Aik Siew Tong Limited, Melodies Limited and Singapore-Johore Express (Private) Limited	None
Lee Kin Hong	Non-Executive Director	21 June 2002	24 April 2021	Director of Singapore-Johore Express (Private) Limited, Aik Siew Tong Limited, and Melodies Limited	None
Dr Lee Chu Muk	Non-Executive Director	27 April 2019	27 June 2020	General Practitioner of M Medical Clinic	None
Lee Chou Hor George	Non-Executive Director	29 June 2020	24 April 2021	Director of Hock Tart Pte Ltd, Aik Siew Tong Limited, Melodies Limited And Singapore-Johore Express (Private) Limited	None

Number of Meetings: The NC held one meeting during FY2021. The NC has ad-hoc meetings on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he is interested.

Board Performance

> ***Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

PROVISION 5.1

PROVISION 5.2

Board Evaluation Process

We believe that the Board's performance is ultimately reflected in the long-term success of the Group.

The Board ensures compliance with applicable laws and Board members act in good faith, with due diligence and care in the best interests of the Company and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led. The measure of a Board's performance is also tested through its ability to lend support to Management especially in times of crisis, such as during the Covid-19 pandemic, and to steer the Group in the right direction.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to our Board possess the relevant background, experience and knowledge in technology, business, finance and Management skills critical to the Company's business and that each Director with his special contributions brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The Board has implemented a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by directors to the effectiveness of the Board and the Chairman's leadership.

The Board did not engage any independent external consultant to facilitate the annual review of the performance of the Board, the Board Committees and the individual Directors for FY2021. However, the NC and the Board are open to the idea should such a need arise to enhance or enliven the Board performance evaluation process.

Board and Board Committees Evaluation Criteria

During the financial year, all Directors were requested to complete a questionnaire to assess the overall effectiveness of the Board and the Board Committees. Factors evaluated include, among other matters, board structure, size, composition, meetings and accountability, access to information, risk management and internal control, management performance, succession planning, remuneration and communication with shareholders. The results of the questionnaire are first reviewed by the NC, tabled as an agenda for Board's discussion to determine areas for improvement and enhancement.

The evaluation criteria for Board Committee take into account factors and criteria deliberated and discussed at NC during the FY2021 include, among others, the composition of the Board Committee, the provision of information, committee procedures as well as criteria which are specific to each Board Committee. The NC makes its recommendations to and shares its conclusions with the Board.

The results of the performance evaluation exercise are used as a reference by the Chairman to review, where appropriate, the composition of the Board and its Board Committees, and in consultation with the NC, to support its proposals for Board renewal, so as to improve the effectiveness of the Board's oversight the Company. Comments received from the NC are compiled and presented to the Board in due course.

Individual Director Evaluation

The performance of individual Directors is evaluated annually and informally on a continual basis by the NC and the Chairman. Factors taken into account include attendance at Board and Board Committees' meetings, industry and business knowledge, acumen in the development of the Group's strategy, participation at meetings, ability to make informed business decision, constructive challenge to Management as well as other factors as provided under the Code's guidelines. The Board will then act on the results where appropriate.

The Board was satisfied with results of the annual evaluation of the performance of the Board, its Board Committees and individual Directors' assessment for FY2021.

Renewal and Replacement of Board Members

Renewal or replacement of Board members, when it occurs, does not necessarily reflect their contributions to date, but may be driven by the need to position and shape the Board in line with the medium-term needs of the Company and its business.

After the NC's review of the contribution by each individual Director to the effectiveness of the Board as a whole and its Board Committees for FY2021, it is satisfied that sufficient time and attention have been given by the Directors to the affairs of the Company and the Group.

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

PROVISION 6.1

PROVISION 6.2

RC Composition and Role

The RC makes recommendations to the Board on the framework of remuneration and the specific remuneration packages for each Directors.

RC Composition
The RC comprises three directors; namely Mr Yang Wen-Wei (Chairman), Dr Tan Kim Song and Mr Lee Khin Tien. Where necessary, the Committee can engage professional help from external consultants in areas of executive compensation.

67% of the members of the Remuneration, including its Chairman, are independent, and all its members are non-executive Directors.

Key Terms of Reference: The key term of reference of the RC are to:

- recommend to the Board a framework of remuneration for Board members as well as key management personnel;
- determine specific remuneration packages for each Non-Executive Director and the CEO;
- review the terms, conditions and remuneration of the key management personnel of the Company;
- reviews the Company's obligations in the event of termination of the director's and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous; and
- performs such other related functions as the Board may determine.

Number of Meetings
The RC held one meeting during FY2021.

PROVISION 6.3

PROVISION 6.4

Remuneration Framework

The RC's objective is to motivate and retain proficient executives and ensure that the Company is able to attract competent staff who can contribute to the long-term success of the Company, taking into account the risk policies of the Company.

The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in kind and specific remuneration packages for each director. In addition, the RC reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment of and recommendation for remuneration and bonus.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him. Each member of the RC will also abstain from voting on any resolutions and making any recommendations in respect of his own remuneration.

The RC has access to appropriate expert advice inside and/or outside the Company on human resources and remuneration matters of Directors and key management personnel wherever there is a need to consult externally. For FY2021, the RC has not consulted any external remuneration consultant.

The RC reviews the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous with an aim to be fair and avoid rewarding poor performance. The RC is satisfied that the termination clauses therein are fair and reasonable.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The RC reviews annually and makes recommendation on the remuneration of the Directors and key management personnel to ensure that the level and structure of remuneration commensurate is 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.

The RC, with the concurrence of the Board, is of the view that the current remuneration of the Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Other than Directors' fees, which have to be approved by shareholders at every AGM, the Non-Executive Directors do not receive any other forms of remuneration from the Company.

CORPORATE GOVERNANCE REPORT

PROVISION 7.1
PROVISION 7.3

Remuneration of Non-Executive Directors and KMPs

The remuneration package of key management personnel consists of four parts:

1. ***Base or fixed remuneration***
   This element reflects the scope of the job and the level of skill and experience of the individuals.

2. ***Variable for performance related income/bonuses***
   This is paid depending on the contribution of the key management personnel of the Company and its subsidiaries. It usually takes the form of an end of the year ex-gratia payment to deserving employees who have gone the extra mile to grow the revenue, service level and financial performance of the Company and Group.

3. ***Benefits***
   These benefits are mainly duty meals in the hotel and car benefit.

4. ***Directors' Fee***
   Some of the key management personnel are directors of subsidiaries and receive directors' fees from the subsidiaries.

Incentive payment to the CEO and key management personnel takes the form of an ex-gratia payment at the end of the year and forms a small portion of their total remuneration. This will reward the CEO and key management personal for both short term profitability and also sustainable long-term growth of the Company and Group.

The Company has noted that the Code has recommended the incorporation of appropriate "claw-back mechanisms" to allow the Company to reclaim the variable incentive-based component of remuneration from Directors and key management personnel. There are, at present, no provisions allowing the Company to reclaim incentive components of remuneration from Directors and key management personnel in exceptional circumstances of misstatement of financial results for the following reasons:

(a) The Directors do not receive any variable incentive-based Directors' fee; and

(b) The form of an ex-gratia payment at the end of the year and forms a small portion of key management personnel's total remunerationx.

The remuneration package, especially the year end ex-gratia bonus will be dependent on the individual's performance, Group's profitability, customers' satisfaction and the growth of the net asset value of the Group. This will balance short term profitability with long-term net asset growth and also that customers' satisfaction is not compromised when we strive to increase our profitability.

The Group does not have any long-term incentive plan or share option. The remuneration package and the year-end ex-gratia for CEO and key management personnel do not encourage excessive risk taking. The Group is also mindful that no one single investment item will compromise the long-term sustainability of the Group.

PROVISION 7.2
PROVISION 7.3

Remuneration of Non-Executive Directors

All the Directors are non-executive.

The directors' fees paid to the Directors are based on the number of meetings attended during the year, subject to a minimum annual sum of S$25,000 per Director. The Chairman of the Board will receive an additional allowance that is equivalent to 120% (FY2020: 120%) of his Director's fee for the Board. The Chairman of each sub-committee will receive an additional allowance that is 50% of his Director's fee for the respective sub-committee. The Directors' fees are recommended by the Board for approval at the Company's Annual General Meeting. Save for the Directors' fees, the Independent Directors do not receive any other forms of remuneration from the Company. The Independent Directors do not have any service agreements with the Company.

The RC is of the view that the remuneration policy and amounts paid to Directors and key management personnel are adequate and in line with present market conditions. The Independent Directors are not compensated to the extent that their independence may be compromised.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

PROVISION 8.1
PROVISION 8.2
PROVISION 8.3

The breakdown of remuneration of the Directors of the Company for FY2021 is as follows:

Annual Remuneration Report
Remuneration of Directors for FY2021
(in S$)

Name of Director	Director's Fee		Total
	Company[a]	Subsidiaries	
Yang Wen-Wei	56,400	–	56,400
Dr Tan Kim Song	29,600	–	29,600
Lee Khin Tien	27,200	20,241	47,441
Lee Kin Hong	20,000	15,592	35,592
Dr Lee Chu Muk	20,000	–	20,000
Lee Chou Hor George	20,000	14,944	34,944
Dr Pang Eng Fong[b]	11,200	–	11,200
Total	**184,400**	**50,777**	**235,177**

[a] Directors' fee is subject to shareholders' approval at the Annual General Meeting.
[b] Dr Pang Eng Fong retired as Lead Independent Non-Executive Director and Non-Executive Chairman on 24 April 2022.

Directors' fees is subject to shareholders' approval at the Annual General Meeting.

Remuneration of Chief Executive Officer for FY2021
(in S$)

Name of CEO	Fixed Remuneration	Variable Bonus	Benefit*	Subsidiaries' Director Fee	Central Provident Fund	Total Remuneration
Lee Chou Hock	338,071	–	16,402	20,290	7,062	381,825

* Benefits for Mr Lee Chou Hock were for duty meal and car benefits.

Remuneration of Key Management Personnel of the Group for FY2021
(in S$)

Name of Key Executive	Fixed Remuneration	Variable Bonus	Benefit*	Subsidiaries' Director Fee	Central Provident Fund	Total Remuneration
Lee Chu Bing	160,870	–	9,980	3,000	12,240	186,090
Lee Zongye Zach	122,880	–	10,963	–	12,240	146,083
Lee Si Min	94,690	–	32	–	12,240	106,962
Patrik Ilstam	64,152	–	2,661	–	–	66,813
Sazrul Bin Fadzil	45,213	–	2,307	–	5,456	52,976

* Benefits for Mr. Lee Chu Bing and Mr. Lee Zongye Zach were mainly for duty meal and car benefits. Benefit for Ms Lee Si Min was for duty meal. Benefits for Mr Patrik Ilsam consists mainly of housing allowance, education for children and personal income tax, and Mr. Sazrul Bin Fadzil's benefits consists of duty meals and medical benefits.

Mr Lee Chou Hock (CEO) is the nephew of the Non-Executive Directors, Mr Lee Khin Tien and Mr Lee Kin Hong, a brother of Non-Executive Director, Mr Lee Chou Hor George and cousin of Non-Executive Director, Dr Lee Chu Muk.

Mr Lee Chu Bing is the brother of Dr Lee Chu Muk and the cousin of Mr Lee Chou Hock (CEO) and Mr Lee Chou Hor George. He is the nephew of Mr Lee Khin Tien and Mr Lee Kin Hong.

Mr Lee Zongye is the son of Mr Lee Chou Hock and grand-nephew of Mr Lee Khin Tien and Mr Lee Kin Hong and nephew of Mr Lee Chou Hor George and Dr Lee Chu Muk.

Ms Lee Si Min is the daughter of Mr. Lee Kin Hong, niece of Mr Lee Khin Tien, cousin of Mr Lee Chu Muk and Mr Lee Chou Hock.

The Company has no employee share option scheme, any share-based compensation scheme or any long-term scheme involving the offer of shares or options.

Remuneration of Employee who is an Immediate Family Member of a Director, the CEO or a substantial shareholder

Mrs Wong Siew Choo, the Group Revenue Controller, is the sister of Mr Lee Khin Tien and Mr Lee King Hong, aunt of Mr Lee Chu Muk, Mr Lee Chou Hor George and Mr Lee Chou Hock.

Her remuneration is as follows:

	Fixed Remuneration	Variable Bonus	Benefit*	Subsidiaries' Director Fee	Central Provident Fund	Total Remuneration
Wong Siew Choo	105,477	–	1,498	–	6,893	113,868

* Benefits consist mainly of meals in the hotel.

With the emergence of the Covid-19 pandemic at the beginning of 2021, safeguarding the wellbeing and health of employees across our markets was our key priority.

All the key management personnel, who are currently in office, have volunteered to take a reduction in their remunerations for FY2021.

Directors' Fees

The RC had recommended to the Board an amount of $184,400 as Directors' fees for the financial year ended 31 December 2021. In a show of solidarity with the nation and our stakeholders during the Covid-19 pandemic, all the Non-Executive Directors, who are currently in office, have volunteered to take a reduction of 20% in their Directors fees for FY2021. The recommended directors' fees have been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders' approval. No Director is involved in deciding his own remunerations.

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

PROVISION 9.1

Nature and Extent of Risks

The Board as a whole is responsible for risk governance. Its duties are to:

(a) ensure that Management maintains a sound system of risk management and internal controls to safeguard the Company's and Group's assets and shareholders' interest;
(b) determine the nature and extent of significant risks and the level of risk tolerance and risk policies which the Board is willing to take to achieve its strategic intent;
(c) provide oversight in the design, implementation and monitoring of the risk management framework and system of internal controls, including actions to mitigate the risks identified where possible;
(d) review annually the adequacy and effectiveness of the risk management and internal control system; and
(e) promote risk awareness culture through the Company for effective risk management.

A summary of the Group Risk Management is included in Pages 83 to 89 in this Annual Report.

The Board places special emphasis in the identification of major risk factors and Management when expanding into new overseas market, and that the short-term gestation period or non-performance of the new investments will not place the Company and the Group under un-manageable risk. Hence, every new overseas investment is thoroughly and robustly discussed at Board meeting, with special emphasis on the input by the Independent Directors.

The work of the internal auditors and the report of the external auditors have enabled the identification of key risks which are reported to the ARC to facilitate the Board's oversight of the effectiveness of risk management and the adequacy of mitigating measures taken by Management to address the underlying risks.

The ARC assists the Board in providing risk management oversight while the ownership of day-to-day management and monitoring of existing internal control systems are delegated to management which comprises the CEO, the Group Accountant ("**GA**") and head of each business division.

The Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems including financial, operational, compliance, and information technology controls based on reports prepared by the internal auditors, and reviewed by the management at least once a year.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Board with the concurrence of the ARC is of the opinion that the Company's internal controls, addressing financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as at 31 December 2021.

In assessing the need to establish a separate risk committee to assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies, the Board after having discussed with the members of the ARC and the Board members, resolved that the function of the risk committee is best carried out by the ARC and in this connection in line with its enhanced role the Audit Committee has been renamed ARC in FY2013.

PROVISION 9.2

Assurance from the CEO and GA

For FY2021, the Board and the ARC have received assurance from the CEO and the GA that:

(a) they have evaluated the adequacy and effectiveness of the Company's risk management and internal control systems, and have discussed with the Company's external and internal auditors of their reporting points and noted that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Group's ability to record, process and report financial data. Accordingly, the Group's risk management systems and internal control systems (including financial, operational, compliance and information technology controls) are adequate and effective; and

(b) the financial records of the Company and the Group have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards.

In addition, the Company had, pursuant to the amended Rule 720(1) of the Listing Manual of SGX-ST, received undertakings from all the Directors and executive officers that they each shall, in the exercise of their powers and duties as Directors and officers, comply to the best of their abilities with the provisions of the SGX-ST's Listing Rules, the Securities and Future Act, the Code on Takeover and Mergers, and the Companies Act and will also procure the Company to do so.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharge its duties objectively.

Provision 10.1

Provision 10.2

AC Composition and Role

The Audit and Risk Committee was tasked by the Board to assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies. To reflect its enhanced role, the AC was renamed the ARC in FY2013.

ARC Composition: Members of the ARC comprise three non-executive Directors; namely Dr Tan Kim Song (Chairman), Mr Yang Wen-Wei and Mr Lee Khin Tien. 67% of the members of the ARC, including its Chairman, are independent.

Two members of the ARC, including the Chairman, have recent and relevant accounting and/or related financial management expertise.

Number of Meetings

The ARC held four meetings during FY2021.

Key Terms of Reference and Activities

During FY2021, the ARC has performed its duties as guided by its key terms of reference which stipulate its principal functions.

The key terms of reference of the ARC are to:

- review with the external/internal auditors the audit plans, their evaluation of the system of internal accounting controls, and their audit report including the scope and results of the external audit, the independence and objectivity of the external auditors;

- review the financial statements of the Group and Company, including reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and Company and any announcements relating to the Group and Company's financial performance, before submission to the Board for approval;
- review the assurance from the CEO and the GA on the financial records and financial statements;
- review the assurance from the CEO and the GA on the adequacy and effectiveness of the Company's risk management and internal control system;
- review the internal control procedures, its scope and the results and to ensure co-ordination between the external/internal auditors and the Management; and review the assistance given by Management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits;
- review and report to the Board at least annually the adequacy and effectiveness of the Company's risk management and system of internal controls;
- review the effectiveness of the Company's internal audit function;
- review the policy and arrangements by which employees of the Group and any other persons may, in confidence, report to the Chairman of the ARC, concerns about possible improprieties in financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be safely raised and independently investigated, and for appropriately follow-up action to be taken;
- 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 and/or financial position, and the Management's response;
- meet with external auditors and internal auditors, without the presence of management, to discuss any concerns or issue, at least once annually;
- make recommendation to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;
- review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- review potential conflicts of interest, if any;
- undertake such other review and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and which requires the attention of the ARC; and
- undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made from time to time.

Access to Information

The ARC has full access and co-operation of Management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and key management personnel of the Group to attend its meetings. The external and internal auditors have unrestricted access to the ARC.

Whistle-blowing Policy

As a further enhancement to internal risk control processes, ARC has an established whistle-blowing policy. Allegations on serious matters relating to financial reporting, illegal or unethical conduct can be reported directly to Mr Yang Wen-Wei, the Chairman of the Board and RC, for appropriate actions. The whistle-blowing policy which has been endorsed by the Board has been communicated to all employees in the Group.

Under the whistle-blowing policy, employees of the Group can in good faith and confidence, raise concerns about improper conduct for independent investigation, and that the employees making such reports will be treated fairly and, to the extent possible, protected from reprisal. Anonymous complaints will also be accepted and investigated.

The whistle-blowing policy is reviewed by the ARC periodically to assess the effectiveness of the processes in place and to ensure that the said policy is updated to take into account any related changes in legal and regulatory requirements. The ARC concluded that there is no significant matter raised through the whistle-blowing channel during FY2021.

PROVISION 10.3

Cooling off Period for Partners or Directors of the Company's Auditing Firm

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the ARC.

PROVISION 10.4

Financial Reporting Matters

Financial Reporting and Key Audit Matter

One of the key roles of the ARC is to review the financial statements, including the review of significant judgements and accounting estimates so as to ensure the integrity of the financial statements of the Company.

Following discussion with the external auditors, the ARC and the external auditors have determined that the valuation of the Group's freehold land on which the hotels are sited, and the impairment of property, plant and equipment and investment properties are key audit matters for FY2021.

Key Audit Matter	ARC's Comment on Key Audit Matter
Valuation of properties – Freehold land The Group has freehold land on which hotels are sited and these are stated at their fair values based on independent external valuations. The Group's freehold land amounting to $463.53 million, account for approximately 58% of total assets at 31 December 2021. The valuation for freehold land involves significant judgement and estimates in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. Certain freehold land are valued using the direct comparison approach and the key inputs are values per square meter referenced to comparable properties, with adjustments made for differences such as location, size, tenure and accessibility. Other freehold land are valued using the residual approach, where the residual value of the land is estimated after deducting depreciated replacement cost of the hotel from the value of the whole property - land and hotel. The income capitalisation approach is used by the valuer to estimate the value of each whole property. The value of the whole property is sensitive to key inputs such as occupancy rates and revenue per room and the capitalisation rate. A change to any of the inputs may have a significant impact on the valuation of each of the properties. **Impairment of assets – Property, plant and equipment and investment properties** The Group's property, plant and equipment (excluding freehold land) ("**PPE**") and investment properties ("**IPs**") account for approximately 19% and 14% of total assets respectively as at 31 December 2021. These assets (excluding freehold land in PPE) are stated at cost less accumulated depreciation and impairment loss. Included in PPE are leasehold land, hotel building and building improvements ("leasehold land and hotel buildings"), which account for approximately 94% of the Group's total PPE. In assessing the recoverable amount and the extent of impairment loss (if any) of the leasehold land and hotel buildings, and IPs, management has relied on the valuations performed by independent external valuers to estimate the net realisable values, and this involves significant judgement and estimates in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. Underlying the valuations for leasehold land and hotel buildings and an IP, are key inputs such as occupancy rates and revenue per room and the capitalisation rate, which are sensitive to changes. Other IPs are valued using the direct comparison approach and the key inputs are values per square meter referenced to comparable properties, with adjustments made for differences such as location, size, tenure and accessibility.	For FY2021, the Group recognised in other comprehensive income (page 103 of this Annual Report) net valuation loss of $44 million for freehold land on which the hotels are sited. The freehold land amounting to $463.53 million accounted for 58% of total assets at 31 December 2021. The Group recognised a net impairment of $7.113m in the profit or loss for the financial year 2021. The net impairment loss consists of $7.209 million from the property, plant and equipment (excluding freehold land) and a reversal of impairment loss amounting to $0.096m from the investment properties. The valuations for freehold land, property, plant and equipment and investment properties involve significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. A change in the assumptions can have a significant impact to the valuation. The Group engaged reputable valuers with the necessary qualifications, competence and independence. In order to satisfy ourselves that the valuations of freehold land, property, plant and equipment and investment properties are not materially misstated, the ARC reviewed the qualifications and competence of the valuers, and the various valuation methods, assumptions and inputs used with Management. The ARC also obtained an understanding on the work performed by the external auditors, including their assessment of the appropriateness of the various valuation methodologies and relevance of the assumptions and inputs. Following these discussions, ARC noted that the engagement of the external independent and experienced valuers; the valuation methods, assumptions and inputs used; explanations given by Management; and the work performed by the auditors provide a reasonable basis for concluding on the valuation of the freehold land and the impairment of the property, plant and equipment and investment properties as at 31 December 2021. The ARC considered the comments of the Independent Auditors' Report and the disclosures in Notes 14 and 15 to the financial statements. These are consistent with the results of the above discussions.

CORPORATE GOVERNANCE REPORT

Key Audit Matter	ARC's Comment on Key Audit Matter
Accounting for acquisition of Royale Chulan Bukit Bintang Hotel and its business During the year, the Group's wholly owned subsidiary completed the acquisition of Royale Chulan Bukit Bintang Hotel and its business for a total purchase consideration of RM174.3 million (approximately $56.5 million). This was accounted for by measuring net assets acquired at fair value at the acquisition date and the difference of RM25.7 million (approximately $8.3 million) between the purchase consideration, and the fair value of the net assets acquired was recorded as a bargain purchase on acquisition recognised in profit or loss. The acquisition accounting was significant to the audit due to the accounting policy adopted by the Group and the related quantitative significance; and the level of judgement exercised in respect of evaluation of the business rationale and substance of the transaction, which led to the recognition of the difference between the purchase consideration and fair value of net assets acquired in statement of profit or loss.	The accounting policy adopted and high degree of judgement exercised by the Group can have a significant impact on the recognition of the difference between the purchase consideration and fair value of net assets acquired. The Group engaged an independent external accounting firm to advise us on the accounting for the acquisition of The Royal Chulan Bukit Bintang Hotel and its business, The Group also engaged a reputable valuer with the necessary qualifications, competence and independence. To assure that the selection and determination of the accounting for business combination is appropriate, the ARC evaluated legal and contractual documents, discussed with the Management on the business motivation of the acquisition and considered the commercial substance of the transactions. The ARC also reviewed the Management's allocation of the purchase consideration to the different assets acquired. Based on the ARC's procedures and assessment, the ARC evaluated that the accounting method adopted by the Group for the acquisition and the methodology used to measure the fair value of the respective assets are appropriate. The ARC considered the comments of the Independent Auditor's Report and the disclosures in Note 34 to the financial statements. This is consistent with the results of the above discussion.

Risk Management and Internal Controls

The external and internal auditors conducted annual review to assess the risk profile including the review on the adequacy of the internal controls, addressing financial, operational, compliance risks and information technology. Such review also assessed whether there was reasonable assurance regarding the effectiveness and efficiency of operations, reliability of Management and financial reporting, and compliance with internal policies. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the ARC. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The role of the Internal Auditors is to support the ARC in ensuring that the Group maintains a sound system of risk management and internal controls by monitoring and assessing the adequacy and effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the ARC.

The hiring, removal, evaluation and compensation of the Internal Auditors or corporation to which the internal audit function is outsourced need the ARC's approval. The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARC.

The Company's internal audit function has been outsourced to a professional firm, Philip Liew & Co. who is independent of the Company's business activities. The Internal Auditors, staffed with persons of relevant qualifications and experience, carry out the internal audit taking guidance from the International Standards for the Professional Practice of Internal auditing set by The Institute of Internal Auditors, and report directly to the ARC on internal audit matters. The ARC has reviewed and is satisfied with the independence, adequacy and effectiveness of the Company's internal audit function. The ARC is also satisfied that the internal auditor is adequately resourced and has the appropriate standing within the Group.

The Internal Auditors report directly to the ARC.

On an annual basis, the ARC meets regularly with the Management and external and internal auditors to review auditing and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues. It also reviews the internal audit functions to ensure that an effective system of internal controls is maintained in the Group. On a half yearly basis, the ARC also reviews the interested person transactions and the financial result announcements before their submission to the Board for approval. The ARC is kept abreast by the Management, the external auditors and the Company secretary of changes to accounting standards, listing rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

In addition, at least once a year, the ARC, together with the Board, reviews the effectiveness and adequacy of the Group's system of internal controls put in place to address key financial, operational, compliance and information technology controls and risk management system affecting the operations.

Based on the Group's framework of internal controls put in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board with the concurrence of the ARC is of the view that the internal control systems of the Group, addressing the financial, operational, compliance, information technology controls and risk management systems are adequate and effective as at 31 December 2021.

The Board acknowledges that it is responsible for the overall internal control and risk management framework. However, it recognises that the system of internal control and risk management established by Management provides reasonable but not absolute assurance against human errors, frauds, poor judgement in decision making, and other irregularities.

The ARC has met with the internal auditors and external auditors separately and in each case, at least once a year and during FY2021, without the presence of the Management to review any matter that might be raised. Both the external and internal auditors report directly to the ARC their findings and recommendations.

The ARC is satisfied that the appointment of external auditors is in compliance with the requirements of Rule 712 and 715 of the SGX-ST Listing Manual. Together with the audit engagement partner and his team assigned to the audit of the Group, the ARC was satisfied that the resources and experience of Messrs. Deloitte & Touche LLP, the audit engagement partner and his term assigned to the audit, were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group.

The ARC has discussed on the performance of the external auditors taking into consideration the Audit Quality Indicators Disclosure Framework recommended by the Accounting and Corporate Regulatory Authority ("**ACRA**") as reference. It has also reviewed all non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not affect the independent and objectivity of the external auditors, before confirming their re-nomination. The external auditors have also provided a confirmation of their independence to the ARC.

Accordingly, the ARC, with the concurrence of the Board, had recommended the appointment of Messrs. Deloitte & Touche LLP as external auditors of the Company at the forthcoming annual general meeting based on their performance and the quality of their audit. Rule 716 of the Listing Manual of the SGX-ST is not applicable as the same auditing firm is appointed for the Company and its subsidiaries.

For FY2021, the Group incurred an aggregate of S$425,000 to the external auditors, of which was S$383,000 was for audit services and S$42,000 was for non-audit services.

Provision 10.5

Meeting Auditors without the Management

The ARC has met with the internal auditors and external auditors separately and in each case, at least once a year and during FY2021, without the presence of the Management to review any matter that might be raised. Both the external and internal auditors report directly to the ARC their findings and recommendations.

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

PROVISION 11.1

Conduct of General Meetings

Shareholders are encouraged to be present at the annual general meeting in person so that face-to-face communication can best be achieved. The annual general meeting is the principal forum for dialogue with shareholders. Thus, with greater shareholders participation, it will ensure that they will be kept up to date as to the Group's long-term strategies and goals.

Shareholders are informed of general meetings through notices contained in annual reports or circulars that are sent to shareholders. The notice of general meetings are also published in the Business Times and announced via SGXNet within the mandatory period. Rules, including voting procedures, that governed general meetings are included in the annual reports or circulars and explained further before the voting process.

Last AGM on 24 April 2021

In light of the COVID-19 situation, the last AGM of the Company was held and the forthcoming AGM will be held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Shareholders will not be able to attend the forthcoming Meeting in person, but they may observe the proceedings of the AGM by live audio or live audio-visual means. Shareholders may appoint the Chairman of the Meeting as proxy to vote on their behalf at the forthcoming AGM. Shareholders to submit questions relating to the business of the meeting in advance and the Company will endeavour to address these questions before the AGM, in any case, not later than 48 hours before the closing date and time for the lodgement of proxy forms. The Company posts such questions from shareholders and responses by the Company on the SGXNet and the Company's website.

Shareholders had the opportunity to participate effectively. Pre-pandemic, they were able to vote in the general meetings either in person or by proxy. They were also given the opportunity to communicate their views and direct questions in person to Directors and CEO regarding the Company.

PROVISION 11.2

Separate Resolutions

Company put all resolutions tabled to vote by poll. All resolutions at the Company's general meeting will be by poll so as to better reflect shareholders' shareholding interest and promote greater transparency. The detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced immediately at the meeting and also disclosed via SGXNet on the same day. If shareholders are unable to attend the annual general meetings, the Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. The Company has amended its Constitution to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

All resolutions tabled at general meetings are on each substantially separate issue and all resolutions at general meetings requiring shareholders' are proposed as separate resolutions. Detailed information on each item in the general meeting's agenda is provided in the explanatory notes to the notice of the general meeting.

PROVISION 11.3

Interaction with Shareholders

All the Directors (including the various Chairmen of the Board Committees) and senior Management are also present at the meeting to address queries and concerns from the shareholders. The external auditors are also present to address shareholders' queries about the conduct of the audit and the preparation and content of the auditors' reports.

All Directors and the external auditors were present at the last AGM held on 24 April 2021.

PROVISION 11.4

Shareholders' Participation

If shareholders are unable to attend the annual general meetings, the Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. The Company has amended its Constitution to allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Voting in absentia in general meetings of shareholders, via email, electronic mail or facsimile, may also be possible following careful study to ensure that the integrity of the information and authentication of the of the shareholders' identity is not compromised.

PROVISION 11.5

Minutes of General Meetings

The Company prepares minutes of general meetings that include substantial and relevant comments and queries from shareholders relating the meeting's agenda, and response from the Board and Management. These minutes are available to the shareholders via SGXNet and on the Company's website.

PROVISION 11.6

Dividend Policy

The Company recognises shareholders' desire to receive return on their investment and always endeavours to maximise their return.

The Company intends to declare an annual dividend amounting to at least one-third of its net profit before fair value adjustments, exceptional and extraordinary items and after income tax. In considering the declaration of dividends, the Company will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

A first and final dividend of 2.5 cents per ordinary share one-tier tax exempt for FY2021 have been proposed for shareholders' approval at the forthcoming AGM on 30 April 2022.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

PROVISION 12.1

PROVISION 12.2

PROVISION 12.3

Disclosure of information on a timely basis

In line with the continuous disclosure obligations of the Company pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, it is the Board's policy to ensure that all shareholders are informed regularly, comprehensively and on a timely basis of every significant development that impact on the Group. The Company does not practise preferential and selective disclosure to any group of shareholders.

Pertinent information is communicated to all shareholders on a regular and timely basis through the following means:

- the Company's annual reports;
- notices of and explanatory memoranda for annual general meetings and extraordinary general meetings;
- announcements of half yearly and full-year financial statements containing a summary of the financial information and affairs of the Group for the period. These are disclosed on SGXNet;
- other announcements, where appropriate;
- press releases regarding major developments of the Group; and
- disclosures to the Singapore Exchange Securities Trading Limited.

The Company notifies the investors' public in advance of the date of the release of its financial results via a SGXNet announcement.

Shareholders can contact the Company via a dedicated email, ir@hotelroyal.com.sg, that is featured in the inside cover page of the Company's annual report. The Company responses to all queries.

V. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1

Provision 13.2

Stakeholders' Engagement

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include hotel guests, employees, contractors, suppliers, government, regulators, community, shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report set out on pages 40 to 57 of this Annual Report.

Provision 13.3

Corporate Website

The Company adopts transparent, accountable and effective communication practices and to ensure fair dissemination to shareholders, all materials on the half yearly and full year financial results, annual report, announcements and minutes of general meetings are available on the Company's website (www.hotelroyal.com.sg). The website also contains other useful investor-related information.

For ease of communication, shareholders can contact Management via ir@hotelroyal.com.sg. This will allow the Board and Management to gather shareholders' views and inputs, and address shareholders' concern. The contact details of the investor relations function are also set out in the inside cover page of this Annual Report as well as on the Company's website. The Company have procedures in place for responding to investors' queries.

CORPORATE GOVERNANCE REPORT

VI. OTHER CORPORATE GOVERNANCE MATTERS

DEALING IN SECURITIES
- Listing Manual Rule 1207(19)

The Group has adopted an internal code on dealings with securities which, amongst others, prohibits the directors and key management personnel of the Group from dealing in the Company's share during the period of one month immediately preceding the announcement of the Company's half-year and full-year results respectively or if they are in possession of unpublished price-sensitive information of the Group. In addition, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also not allowed from dealing in the Company's shares on short-term considerations. Directors are required to notify the Company their securities dealings within two (2) business days of such dealings and the Company shall disseminate the notifications received to the market via SGXNet within one (1) business day of receiving such notifications.

In view of the processes in place, in the opinion of the Board, the Company has complied with Rule 1207(19) of the Listing Manual of SGX-ST on dealing in securities.

MATERIAL CONTRACTS
- Listing Manual Rule 1207(8)

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO, any Director or controlling shareholder during the year under review or have been entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS
- Listing Manual Rule 907

The Company has established procedures to ensure that all transactions with interested persons are properly documented and reported in a timely manner to the ARC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Company and its non-controlling shareholders.

The Board will ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards are complied with.

There were no material contracts entered into by the Company and Group involving the interests of any Director or controlling shareholder, either still subsisting at the end of FY2021 or if not then subsisting, entered into since the end of the previous financial year.

The Company's disclosure in related party transactions for FY2021 as set out on page 121 of this Annual Report. There were no interested person transactions in excess of S$100,000 per transaction entered into by the Company and Group for the year under review or have been entered into since the end of the previous financial year.

When a potential conflict arises, the concerned parties do not participate in its deliberation so as to refrain from exercising any influence over other members of the Board.

CODE OF CONDUCT AND ETHICS FOR EMPLOYEES

The Group has a Code of Conduct and Ethics for Employees that sets the standards and ethical conducts expected of all employees. This code covers workplace conduct, protection of the Group's assets, information confidentiality, conflict of interests, business conduct, gratuities or bribes and dishonest behaviour.

All employees are expected to maintain a high standard of personal integrity and compliance to Company policies and with the laws and regulations of the countries in which it operates.

USE OF RIGHTS ISSUE PROCEEDS

As at the date of this report, the status of the utilisation of the proceeds raised from the Company's Renounceable Non-Underwritten Rights Issue are as follows:

	S'000
Total rights issue proceeds	**50,227**
Less Utilisation:	
3Q 2018 - repayment of outstanding loans	44,700
3Q 2018 - capital expenditure	542
2Q 2019 - dividend payment	2,400
2Q 2021 - dividend payment	2,520
2Q 2021 – working capital (repairs and maintenance)	65
Balance unutilised as at 31 December 2021	–

Rights issue proceed had been fully utilised as at 31 December 2021.

RISK MANAGEMENT

Risk management constitutes an integral part of Hotel Royal's business management. The Group's risk and control framework seeks to provide reasonable assurance that our business objectives are achieved. We do this by ensuring that the management controls in our daily operations achieve efficiency, effectiveness, and safeguards our assets. We ensure that we are compliant with legal and regulatory requirements, while upholding the integrity of the Group's financial reporting and its related disclosures. Management is responsible for identifying critical risks to our businesses, and for developing and implementing appropriate measures to address such risks. Our risk management and control procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

The Group recognises that not all risks can be eliminated, and adopts a balanced approach to risk management, such as:

(a) Identification
(b) Assessment
(c) Formulation of mitigation measures
(d) Implementation
(e) Monitoring and review

The following describes the Group's major risk factors and its management. In the year under review, we were satisfied that there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.

BUSINESS AND STRATEGY RISKS

Business and strategy risks refer to factors affecting businesses such as customer demand, sales performance, macroeconomic conditions, competition, and regulatory environment. They are usually managed by the respective hotels and subsidiaries within the Group in their pursuit of growth and earnings target.

DESCRIPTION OF RISK WE FACE	WHAT WE DO TO MITIGATE THE RISKS
<u>Strategy and investment risk</u> • The Group is exposed to risks in its overseas expansion plan. • The investment time frame and the budgets for such expansion plans may be exceeded and that the parameters set may not be achieved.	• All new investment proposals are evaluated thoroughly and, where necessary, are supported by the advice of external professionals to ensure that they are in line with the Group's strategic focus and that they meet the relevant rate of financial returns. Other non-financial risk factors are also considered. • All new investment proposals are reviewed by the senior management and discussed in detail at the Board meetings. • They are monitored to ensure that they are able to meet the Group's strategic intent, investment objectives and returns.
<u>Market and political risk</u> • The Group currently operates in Singapore, Malaysia, Thailand and New Zealand. The subsidiaries in these countries are exposed to changes in government policies and regulations. Some of these changes may affect the realisation of business opportunities and investments in those countries. • Global economic uncertainties, such as trade wars and recession, will affect the Singapore economy and hence the Group's performance.	• The Group monitors the market and political landscape in these countries, so that the Group is better able to anticipate and/or respond to any adverse changes in market and political conditions in a timely manner. • As at 31 December 2021, approximately 36% of the Group's assets are located overseas, accounting for about 51% of the total revenue in FY 2021. As the Group currently operates in more than one country, it has greater geographical diversification which reduces the risk of a single market concentration.

RISK MANAGEMENT

DESCRIPTION OF RISK WE FACE	WHAT WE DO TO MITIGATE THE RISKS
Regulatory risk • The Group is subject to changes in prevailing laws and regulations in the countries where it operates, such as in corporate, competition and environment laws.	• The Group works closely with local authorities and business partners so as to keep abreast with any changes and/or material regulatory developments. • Foreign subsidiaries will inform the Group's head office of any material regulatory development in a timely manner.
Competition risk • The hospitality business in Singapore, Malaysia and Thailand is highly competitive. Any increase in new room inventory can lead to downward pressure on room rates, particularly on older or existing properties.	• The Group strives to maintain competitiveness through product differentiation and leveraging on its brand name to protect and gain market share. • The Group invests in long-term relationships with its strategic partners to improve its service and product quality and secure customer loyalty.
Reputation risk • The Group may face negative publicity or diminution in public confidence if there are mishandling of transactions or events.	• The Group believes in giving a fair deal to its stakeholders and has put in place an open program to achieve effective and timely communication with its key stakeholders. • Its corporate vison, mission statement and core values are communicated to all employees within the Group.
Business continuity risk • Unforeseen circumstances (including internal and external threats) such as fire, flood, and terrorism attacks, can disrupt the continuation of its business operations.	• The Group reviews its crisis management and communications procedures regularly, so as to ensure that it can continue to maintain its business operations and expedite recovery.
Spread of contagious diseases • The outbreak of contagious diseases, such as SARS and Covid-19 will have adverse effects on tourist arrivals.	• The Group diversifies its business sources so that the if one source of business is affected, the other sources can help to make up for the shortfall. • The Group has sufficient financial resources to tide through economic downturns caused by such outbreaks.

OPERATIONAL RISKS

Operational risks refer to persons, processes, products, information technology and practices in the business activities which may not operate as designed or planned.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Operational processes risk • Possible breakdown in internal process, deficiencies in people and management, or operational failure arising from external events can result in potential loss to the Group.	• Minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as through business continuity planning. • Operating manuals, standard operating procedures and the delegation of authority matrix are in place. • On-going efforts to streamline business processes and adopt ISO standards and certifications to achieve standardisation of processes and best practices. • Conduct regular reviews of policies and authority limits to ensure its relevance in meeting a changing business environment.
People risk • The Group depends on quality service provided by good service providers to achieve profitability and growth. • The execution of succession planning is a challenge, given the size of the Group.	• The Group provides a cohesive environment under which employees can develop to their fullest potential and have a work-life balanced career path. This ensures that our human capital is continually nurtured and retained. • Staff who perform well are attractively rewarded and groomed for more responsibilities.
Climate change and environmental risk • Climate change and environmental risk is a growing concern. Rising sea level is a potential threat to our hotels that are situated in low lying areas.	• The Group adopts environmentally-friendly practices and benchmarks against the best practices. • Close monitoring of rising sea levels and their effect on our properties.

RISK MANAGEMENT

FINANCIAL RISKS

Financial risks arise from volatility in the underlying financial market and include factors such as interest rates, foreign exchange and equity prices.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Credit risk • The Group's credit risk is primarily attributable to its cash and bank balances, trade and other receivables. Cash and fixed deposits (Note 6) are in the custody of creditworthy financial institutions. Trade receivables are largely from credit card companies, tour agencies, regular corporate clients, hotels and tenants at the Group's properties. The Group may suffer potential financial loss resulting from the failure of customers or counterparties to settle their financial and contractual obligations as and when they fall due.	• Standard procedures are in place which include the application of credit approvals, performing credit evaluations, setting credit limits and regular monitoring of credit risks. Cash terms or advance payments are required for customers with lower credit standing. • There is no significant concentration of credit risk to a single customer. It is the Group's policy to sell to a diversity of creditworthy customers to reduce concentration of credit risk. • While the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making provisions once trade receivables are deemed not collectible. Major collectible issues are highlighted to all concerned.
Interest rate risk • The Group is exposed to interest rate risks through the impact of rate changes on interest-bearing liabilities and assets.	• The Group actively monitors interest rate fluctuations and trends. • The Group borrows in local currencies and practices natural hedging as it receives its revenue in local currencies.
Foreign exchange risk • The Group has investments in funds under management of certain banks and cash deposits which are exposed to foreign exchange risk arising from the exchange rate movements of foreign currencies. • Exchange gain or loss may also arise when the assets and liabilities in foreign currencies are translated into Singapore dollars for financial reporting purposes. For FY2021, approximately 12% (2020: 8%) of the Group's net assets is denominated in Malaysian ringgit, and approximately 8% (2020: 8%) and 9% (2020: 10%) are denominated in New Zealand dollars and Thai baht respectively.	• Continuous monitoring of the exchange rates of major currencies. • Currency translation risk, which is inherent for operations outside Singapore, is non-cash in nature and therefore not hedged.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Price Risk • The Group is exposed to price risks arising from its investments classified as fair value through profit or loss and fair value through other comprehensive income. These investments include equity shares and instruments, whose fair values are subject to volatility in equity and bond prices.	• Diversify the investment portfolio to manage risks.
Liquidity risk • Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due.	• Monitor working capital requirements and maintain a level of cash and cash equivalents deemed adequate to mitigate the effects of fluctuations in cash flows, as well as to ensure that the Group has sufficient funds to meet its contractual and financial obligations as and when they fall due. • Management assesses the availability of credit facilities and compliance with loan covenants on an on-going basis and no matters have been drawn to its attention that the roll-over of the short-term financing may not be forthcoming or that covenants have been breached. The Group and the Company have unutilised credit facilities totalling $175.4 million (2020: $202.8 million) and $101.3 million (2020: $130.9 million) respectively. From time to time, management evaluates the tenure of credit facilities including the need for longer term credit facilities. • Enhance ability to generate cash from operating activities to improve the Group's cash position and reduce liquidity risk.

RISK MANAGEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Capital structure risk • Inefficient capital structure could impact the Group's ability to provide appropriate returns to the shareholders.	• The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and returns to shareholders are optimised through a mix of equity, short-term, and long-term debts. The capital structure of the Group consists of equity comprising share capital discloses in Note 22, reserves and retained earnings; and debts which comprise bank borrowings and leases disclosed in Note 16, 20 and 30. Regular reviews are performed to ensure optimal capital structure. Taken into consideration are future capital requirements and capital efficiency, prevailing operating cash flow and profitability, as well as projected capital expenditure. • In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new bank borrowings, sell assets to reduce external borrowings, pay or adjust the amount of dividend payout, or return capital to shareholders.
Financial management risk • Rely on self-assessment, review, and reporting processes to ensure that transactions are carried out in conformity with accounting standards and the Group's accounting policies, and that the internal controls are adequate and effective. • The system may not prevent or detect all frauds or misstatements in a timely manner, especially with changes in conditions and operations which may cause the system effectiveness to vary from time to time.	• Formalised operating manuals and standard operating procedures. • Internal controls on financial reporting are reviewed regularly to ensure proper financial discipline and compliance with established Group's policies and guidelines are adhered to. • External and internal audit reviews carried out annually on the controls and procedures in place also serve as a platform to highlight any irregularities.
Derivative financial instrument risk • Market conditions may move against the Group's assumptions at the time of hedging the transactions.	• The Group does not hold or issue derivative financial instruments for trading purposes.

COMPLIANCE RISKS

Compliance risks are the current and prospective risks arising from violation of, or non-conformance with laws, rules, regulations, or ethical standards.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Compliance risk • Rapid changes in laws, regulations and practices are making compliance more complicated. This is especially so as the Group also operates overseas. • Deliberate wrongful acts, such as fraud, can result in financial loss.	• Risk management, internal controls and corporate governance frameworks are in place and reviewed on an annual basis. • Whistle-blowing policy has been in practice for some time. • External auditors are engaged for statutory audits and internal auditors are engaged to conduct financial and operations reviews. Both external and internal auditors report directly to the Audit Committee.

INFORMATION TECHNOLOGY RISKS

Information technology (IT) risks include hardware and software failure, human error, spam, viruses and malicious attacks, as well as natural disasters such as fire, storms or floods.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
Cyber security risk • The Group's operations are exposed to a full range of risks, presented in various forms that are associated with its IT system. This includes disruptions to the network. • Increasing global incidence of cyberattack on company servers and websites demonstrates the need to reinforce and tighten the security of the Group's IT systems and avoid breaches. • Cyberattacks can disrupt operations. The theft of sensitive and confidential information can lead to litigations and financial losses.	• Adopt necessary and current IT controls and governance practices, including the strengthening of network security, such as regularly updating security patches to the system. • Put in place appropriate measures to safeguard the loss of information, data security, and ensure the continuity of the Group's business activities and its prompt recovery from an IT crisis. • Conduct regular training for users to heighten awareness of IT threats.

GRI CONTENT INDEX

Disclosure Number	Title	Page Reference
GRI 102 – Organisational Profile		
102-1	Name of organisation	Hotel Royal Limited
102-2	Activities, brands, products, services	AR: Pg 3
102-3	Location of headquarters	AR: Back cover
102-4	Location of operations	AR: Pg 20-21
102-5	Ownership	AR: Pg 20-21
102-6	Markets served	AR: Pg 20-21
102-7	Scale	AR: Pg 20-21
102-8	Employees	AR: Pg 54-57 SR: Pg 46-47
102-9	Supply Chain	Not disclosed
102-10	Significant changes	Nil
102-11	Precautionary Principle	NA
102-12	External initiatives	NA
102-13	Membership of associations	NA
GRI 102 – Strategy		
102-14	Statement from senior decision-maker	SR: Board Statement (Pg 41) Foreword (Pg 41)
GRI 102 – Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	SR: Pg 42 (Sustainability Policy)
GRI 102 – Governance		
102-18	Governance	SR: Pg 48-49 AR: Corporate Governance (Pg 60-89)
GRI 102 – Stakeholder Engagement		
102-40	List of stakeholder groups	SR: Pg 43
102-42	Identifying and selecting stakeholders	SR: Pg 43
102-43	Approach to stakeholder engagement	SR: Pg 43
102-44	Key topics raised	SR: Pg 43-44 (Materiality Assessment)
GRI 102 – Reporting Practice		
102-45	Entities included in the consolidated financial statements	AR: Financial Statements Pg 92
102-46	Defining report content and topic boundaries	SR: Pg 42 (About this Report)
102-47	List of material topics	SR: Pg 44
102-50	Reporting Period	1 January – 31 December 2021
102-51	Date of most recent report	1 January - 31 December 2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	AR: Inside front cover
102-54	Claims of reporting in accordance with GRI Standards	SR: Pg 41 (Reporting Framework) Pg 90-91 (GRI Content Index)
102-55	GRI content index	SR: Pg 90-91
102-56	External assurance	SR: Pg 41 (Statement of Assurance)
GRI103 – Management Approach		
103-1	Explanation of the material topics and boundaries	SR: Pg 43-44

ENVIRONMENTAL MANAGEMENT

GRI 302-1 to 302-5

302-1	Energy consumption within the organisation	SR: Pg 44-45 AR: Pg 52
302-4	Reduction of energy consumption	SR: Pg 44-45 AR: Pg 52

GRI 303 - Water & Effluents

303-5	Water consumption	SR: Pg 45 AR: Pg 50

GRI 306 - Effluents & Waste

306-2	Waste by type and disposal method	SR: Pg 45

SOCIAL

Customer Satisfaction, Retention & Service Quality

N/A	Customer & Employee Satisfaction Survey Results	SR: Pg 46

GRI 405 - Diversity and Equal Opportunity

405-1	Diversity of governance bodies and employees	SR: pg 46-47 AR: pg 52-55

GRI 404 - Training & Education

404-1	Average hours of training per year per employee	SR: Pg 47
404-2	Programs for upgrading employee and transition assistance programs	SR: Pg 46-47
404-3	Percentage of employees receiving regular performance and career development reviews	SR: Pg 46-47

GRI408, 409 - Human Rights (Child, Forced or Compulsory Labour)

408-1	Operations and suppliers at significant risk of incidents of child labour	SR: Pg 47
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	SR: Pg 47

GRI 403 - Workplace Safety

403-1	Occupational health and safety management system	SR: Pg 47-48
403-2	Hazard identification, risk assessment and incident investigation	SR: Pg 47-48
403-3	Occupational health services	SR: Pg 47-48
403-4	Worker participation, consultation, and communication on occupational health and safety	SR: Pg 47-48
403-5	Worker training on occupational health and safety	SR: Pg 47-48
403-6	Promotion of worker health	SR: Pg 47-48
403-7	Prevention and mitigation of occupational health and safety	SR: Pg 47-48
403-8	Workers covered by an occupational health and safety system	SR: Pg 47-48
403-9	Work-related injuries	SR: Pg 47-48
403-10	Work-related ill health	SR: Pg 47-48

GRI 413 – Local Communities

413-1	Operations with local community engagement, impact assessments and development programs	SR: Pg 48 AR: Pg 51
413-2	Operations with significant actual and potential negative impacts on local communities	SR: Pg 48 AR: Pg 51

GOVERNANCE

GRI 102 - Enterprise Risk Management

102-30	Effectiveness of risk management processes	SR: Pg 48 AR: Pg 82-89

GRI 102 - Corporate Governance

102-18	Governance structure	SR: Pg 48-49 AR: Pg 60-89

GRI 205 – Anti-Corruption

205-1	Operations assessed for risks related to corruption	SR: Pg 48-49
205-2	Communication and training about anti-corruption policies and procedures	SR: Pg 48-49
205-3	Confirmed incidents of corruption and actions taken	SR: Pg 48-49

Innovation

N/A		SR: Pg 49

Financial Statements

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 31 December 2021.

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 100 to165 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 31 December 2021, 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:

Yang Wen-Wei
Dr Tan Kim Song
Lee Khin Tien
Lee Kin Hong
Dr Lee Chu Muk
Lee Chou Hor George

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 1967 except as follows:

Name of directors and company in which interests are held	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company	**Ordinary shares**		**Ordinary shares**	
Lee Khin Tien	282,240	282,240	-	-
Lee Kin Hong	92,736	92,736	403,200	403,200
Lee Chou Hor George	42,000	42,000	12,993,680	12,993,680

The directors' interests as disclosed above remained unchanged at 21 January 2022.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was 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 option*

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

5 AUDIT AND RISK COMMITTEE

Members of the Audit and Risk Committee comprise four directors, namely Dr Tan Kim Song (Chairman of the Audit and Risk Committee), Yang Wen-Wei, and Lee Khin Tien.

The Audit and Risk Committee ("ARC") held four meetings during the financial year ended 31 December 2021 and performed the following functions:

(a) Review with external/internal auditors the audit plans, their evaluation of the system of internal accounting controls, and their audit report including the scope and results of the external audit, the independence and objectivity of the external auditors;

(b) Review the consolidated financial statements and statement of financial position and statement of profit or loss of the Company including reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and Company and any announcements relating to the Group and Company's financial performance, before submission to the Board of Directors for approval;

(c) Review the Group's financial and operating results and accounting policies;

(d) Review the internal control procedures, its scope and the results and to ensure co-ordination between the external/internal auditors and the Management; and review the assistance given by Management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits;

(e) Review and report to the Board of Directors at least annually the adequacy and effectiveness of the Company's risk management and system of internal controls;

(f) Review the effectiveness of the Company's internal audit function;

(g) 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 and/or financial position, and the Management's response;

(h) Make recommendation to the Board of Directors on the proposals to the shareholders on the appointment, re-appointment or removal of the external auditors;

(i) Review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;

(j) Review potential conflicts of interest, if any;

(k) Undertake such other review and projects as may be requested by the Board of Directors, and report to the Board of Directors its findings from time to time on matters arising and which requires the attention of the ARC; and

(l) Undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made from time to time.

5 AUDIT AND RISK COMMITTEE (cont'd)

The ARC has full access to and co-operation of management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the ARC.

The Company's internal audit function has been outsourced to Philip Liew & Co. Both the external auditors and the internal auditors report directly to the ARC their findings and recommendations.

The ARC, having reviewed the scope and value of non-audit services provided to the Company and Group by the external auditors, are satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The ARC has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming annual general meeting of the Company.

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....
Yang Wen-Wei

....
Lee Khin Tien

31 March 2022

INDEPENDENT AUDITOR'S
REPORT TO THE MEMBERS OF HOTEL ROYAL LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hotel Royal 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 31 December 2021, and the consolidated statement of profit or loss, 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 and other explanatory information, as set out on pages 100 to 165.

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 Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 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 *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.

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.

<u>Valuation of properties - Freehold land</u>

The Group has freehold land on which hotels are sited and these are stated at their fair values based on independent external valuations. The Group's freehold land amounting to $463.53 million, account for approximately 58% of total assets at 31 December 2021.

The valuation for freehold land involves significant judgement and estimates in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied.

Certain freehold land are valued using the direct comparison approach and the key inputs are values per square meter referenced to comparable properties, taking into consideration differences such as location, size, tenure and accessibility.

Other freehold land are valued using the residual approach, where the residual value of the land is estimated after deducting depreciated replacement cost of the hotel from the value of the whole property - land and hotel. The income capitalisation approach is used by the valuer to estimate the value of each whole property. The value of the whole property is sensitive to key inputs such as occupancy rates and revenue per room and the capitalisation rate.

A change to any of the key inputs may have a significant impact on the valuation of each of the properties.

<u>Our audit performed and responses thereon</u>

We obtained an understanding of management's process in selecting the external valuers with the appropriate knowledge and experience and how the valuation reports are used in determining the fair values for accounting purpose. We evaluated the qualifications, competence and independence of the external valuers.

We considered the appropriateness of the valuation methodologies used by the valuers and evaluated the basis and assumptions used for the above key inputs in the respective valuation, and sought explanations from the valuers and management. We had considered whether these key inputs are consistent and in line with the individual hotel's performance or industry norms.

We also considered the adequacy of the disclosures in Note 14 to the financial statements, in describing the inherent degree of subjectivity and key assumptions used in the estimates.

Impairment of assets – Property, plant and equipment and investment properties

The Group's property, plant and equipment (excluding freehold land) ("PPE") and investment properties ("IPs") account for approximately 19% and 14% of total assets respectively as at 31 December 2021. These assets (excluding freehold land in PPE) are stated at cost less accumulated depreciation and impairment loss.

Included in PPE are leasehold land, hotel building and building improvements ("leasehold land and hotel buildings"), which account for approximately 94% of the Group's total PPE.

In assessing the recoverable amount and the extent of impairment loss (if any) of the leasehold land and hotel buildings, and IPs, management has relied on the valuations performed by independent external valuers to estimate the net realisable values, and this involves significant judgement and estimates in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied.

Underlying the valuations for leasehold land and hotel buildings and an IP, are key inputs such as occupancy rates and revenue per room and the capitalisation rate, which are sensitive to changes.

Other IPs are valued using the direct comparison approach and the key inputs are values per square meter referenced to comparable properties, taking into consideration for differences such as location, size, tenure and accessibility.

Our audit performed and responses thereon

We evaluated the qualifications, competence and independence of the external valuers.

We considered the appropriateness of the valuation methodologies used and evaluated the basis and assumptions used for the above key inputs in the respective valuation, and sought explanations from the valuers and management. We discussed with management and evaluated the basis and key inputs used in their assessment in determining the recoverable amount of the assets and the impairment required, and had considered whether these key inputs are consistent and in line with the individual hotel's performance or industry norms.

The Group's disclosure of the above significant estimates is disclosed in Note 3 to the financial statements, and further information related to the leasehold land and hotel buildings and IPs are provided in Notes 14 and 15 respectively.

Accounting for acquisition of Royale Chulan Bukit Bintang Hotel and its business

During the year, the Group's wholly owned subsidiary completed the acquisition of Royale Chulan Bukit Bintang Hotel and its business for a total purchase consideration of RM174.3 million (approximately $56.5 million). This was accounted for by measuring net assets acquired at fair value at the acquisition date and the difference of RM25.7 million (approximately $8.3 million) between the purchase consideration, and the fair value of the net assets acquired was recorded as a bargain purchase on acquisition recognised in profit or loss.

The acquisition accounting was significant to our audit due to the accounting policy adopted by the Group and the related quantitative significance; and the level of judgement exercised in respect of evaluation of the business rationale and substance of the transaction, which led to the recognition of the difference between the purchase consideration and fair value of net assets acquired in statement of profit or loss.

Information on the acquisition is disclosed in Note 34 of the financial statements.

Our audit performed and responses thereon

We assessed the appropriateness of the judgement exercised by management surrounding the selection and determination of the accounting for business combination. We examined the legal and contractual documents to determine the date of acquisition, discussed with the management and considered the commercial substance of the transaction. We also evaluated the Group's judgement in allocating the purchase consideration to the different assets acquired in the business combination.

Based on our procedures and assessment, we evaluated that the accounting method adopted by the Group for the acquisition and the methodology used to measure the fair value of the respective assets are appropriate.

We have also assessed the appropriateness and the adequacy of the related disclosures made in the financial statements.

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.

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 SFRS(I)s, 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.

(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 Hoe Chi-Hsien.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2022

STATEMENTS OF FINANCIAL POSITION

31 December 2021

	Note	The Group		The Company	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and bank balances	6	29,139	16,202	19,287	4,648
Financial assets at fair value through profit or loss	7	3,898	3,406	1,477	1,006
Financial assets at fair value through other comprehensive income	8	8,986	8,447	1,660	1,766
Trade receivables	9	3,381	2,041	603	770
Other receivables, deposits and prepaid expenses	10	3,368	11,202	167	579
Inventories		918	1,043	269	285
Income tax recoverable		30	5	-	-
Total current assets		49,720	42,346	23,463	9,054
Non-current assets					
Subsidiaries	11	-	-	206,623	199,800
Financial assets at fair value through other comprehensive income	8	18,478	17,841	15,528	15,252
Other assets	12	529	530	61	84
Goodwill	13	-	-	-	-
Property, plant and equipment	14	615,647	614,389	221,130	247,778
Investment properties	15	109,772	107,705	22,138	22,490
Total non-current assets		744,426	740,465	465,480	485,404
Total assets		794,146	782,811	488,943	494,458
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	16	29,709	7,321	720	360
Trade payables		4,355	3,209	1,922	1,537
Other payables	17	4,591	5,278	3,604	2,830
Income tax payable		715	1,885	447	1,099
Derivative financial instruments	18	-	196	-	-
Total current liabilities		39,370	17,889	6,693	5,826

See accompanying notes to financial statements.

	Note	The Group		The Company	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Non-current liabilities					
Other payables	17	27	31	33,014	27,888
Retirement benefit obligations	19	291	497	-	-
Long-term bank loans	20	166,422	120,197	72,404	43,561
Deferred tax liabilities	21	26,866	20,379	841	787
Total non-current liabilities		193,606	141,104	106,259	72,236
Capital and reserves					
Share capital	22	150,665	150,665	150,665	150,665
Asset revaluation reserve	22	338,010	382,010	194,308	219,508
Employee benefit reserve	22	32	180	-	-
Fair value reserve	22	17,645	17,272	14,435	14,065
Foreign currency translation reserve	22	(2,232)	4,341	-	-
Retained earnings		57,050	69,350	16,583	32,158
Total equity		561,170	623,818	375,991	416,396
Total liabilities and equity		794,146	782,811	488,943	494,458

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Note	The Group	
		2021	**2020**
		$'000	**$'000**
Revenue	23	26,280	30,618
Cost of sales		(21,199)	(21,795)
Gross profit		5,081	8,823
Distribution costs		(605)	(938)
Administrative expenses		(10,560)	(9,469)
Other income	24	20,518	985
Other expenses		(13,629)	(16,531)
Finance costs	25	(4,163)	(2,971)
Loss before income tax	26	(3,358)	(20,101)
Income tax expense	27	(7,576)	(743)
Loss for the year attributable to owners of the Company		(10,934)	(20,844)
Basic loss per share	28	(10.85) cents	(20.68) cents

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	The Group	
		2021	**2020**
		$'000	**$'000**
Loss for the year		(10,934)	(20,844)
Other comprehensive (loss) income:			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gain on investments in equity instruments designated as at fair value through other comprehensive income		1,527	701
Re-measurement of defined benefit obligations		(148)	25
Revaluation of freehold land - hotels	14	(44,000)	(42,465)
Deferred tax relating to revaluation on freehold land	21	-	6
Total		(42,621)	(41,733)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(6,573)	552
Other comprehensive loss for the year, net of tax		(49,194)	(41,181)
Total comprehensive loss for the year attributable to owners of the Company		(60,128)	(62,025)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

The Group	Share capital $'000	Asset revaluation reserve $'000	Employee benefit reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2020	150,665	424,469	155	16,536	3,789	92,755	688,369
Total comprehensive income (loss) for the year:							
Loss for the year	-	-	-	-	-	(20,844)	(20,844)
Other comprehensive income (loss) for the year	-	(42,459)	25	736	552	(35)	(41,181)
Total	-	(42,459)	25	736	552	(20,879)	(62,025)
Transactions with owners, recognised directly in equity:							
Final dividends (Note 33)	-	-	-	-	-	(2,526)	(2,526)
Balance at 31 December 2020	150,665	382,010	180	17,272	4,341	69,350	623,818
Total comprehensive income (loss) for the year:							
Loss for the year	-	-	-	-	-	(10,934)	(10,934)
Other comprehensive income (loss) for the year	-	(44,000)	(148)	373	(6,573)	1,154	(49,194)
Total	-	(44,000)	(148)	373	(6,573)	(9,780)	(60,128)
Transactions with owners, recognised directly in equity:							
Final dividends (Note 33)	-	-	-	-	-	(2,520)	(2,520)
Balance at 31 December 2021	150,665	338,010	32	17,645	(2,232)	57,050	561,170

See accompanying notes to financial statements.

	Share capital	Asset revaluation reserve	Fair value reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
The Company					
Balance as at 1 January 2020	150,665	244,108	14,082	40,916	449,771
Total comprehensive income for the year:					
Loss for the year	-	-	-	(6,197)	(6,197)
Other comprehensive income (loss) for the year	-	(24,600)	(17)	(35)	(24,652)
Total	-	(24,600)	(17)	(6,232)	(30,849)
Transactions with owners, recognised directly in equity:					
Final dividends (Note 33)	-	-	-	(2,526)	(2,526)
Balance at 31 December 2020	150,665	219,508	14,065	32,158	416,396
Total comprehensive income (loss) for the year:					
Loss for the year	-	-	-	(13,161)	(13,161)
Other comprehensive income (loss) for the year	-	(25,200)	370	106	(24,724)
Total	-	(25,200)	370	(13,055)	(37,885)
Transactions with owners, recognised directly in equity:					
Final dividends (Note 33)	-	-	-	(2,520)	(2,520)
Balance at 31 December 2021	150,665	194,308	14,435	16,583	375,991

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	The Group	
	2021	2020
	$'000	$'000
Operating activities		
Loss before income tax	(3,358)	(20,101)
Adjustments for:		
Allowance for doubtful receivables	154	320
Depreciation expense	7,645	7,787
Dividend income	(360)	(302)
Net fair value loss on financial assets at fair value through profit or loss	11	134
Loss on disposal of property, plant and equipment	-	16
Gain on disposal of investment properties	(9,920)	-
Write back of impairment loss on investment properties	(96)	-
Bargain purchase gain arising from acquisition of business	(8,328)	-
Impairment loss on property, plant and equipment	7,209	8,765
Impairment of goodwill	-	2,007
Impairment loss on investment properties	-	3,500
Interest expense	4,163	2,971
Interest income	-	(9)
Write back of allowance for doubtful receivables	(222)	(18)
Fair value (gain) loss on derivative financial instruments	(196)	196
Operating cash flows before movements in working capital	(3,298)	5,266
Financial assets at fair value through profit or loss	(1,362)	185
Trade and other receivables	6,307	(1,438)
Inventories	79	46
Trade and other payables	293	(2,518)
Cash generated from operations	2,019	1,541
Dividend received	360	302
Interest paid	(4,163)	(2,971)
Interest received	-	9
Income tax paid	(1,249)	(2,124)
Net cash used in operating activities	(3,033)	(3,243)

See accompanying notes to financial statements.

	The Group	
	2021	2020
	$'000	$'000
Investing activities		
Additions to investment properties	(7,048)	(6,735)
Additions to property, plant and equipment	(2,437)	(3,220)
Proceeds from disposal of financial assets held at fair value through other comprehensive income	3,316	1,504
Proceeds from disposal of investment properties	10,739	-
Proceeds from disposal of property, plant and equipment	-	6
Cash outflow on acquisition (Note 34)	(56,484)	-
Purchase of financial assets held at fair value through other comprehensive income	(3,139)	(2,385)
Net cash used in investing activities	(55,053)	(10,830)
Financing activities		
Dividends paid	(2,520)	(2,526)
Proceeds from bank loans	90,195	14,028
Repayment of bank loans	(16,345)	(2,088)
Fixed deposit pledged to banks	17	-
Net cash from financing activities	71,347	9,414
Net increase (decrease) in cash and cash equivalents	13,261	(4,659)
Cash and cash equivalents at beginning of year	15,149	19,850
Effect of currency exchange adjustment	(307)	(42)
Cash and cash equivalents at end of year (Note 6)	28,103	15,149

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENT

31 December 2021

1 GENERAL

The Company (Registration No. 196800298G) is incorporated in Singapore with its registered office and its principal place of business at 36 Newton Road, Singapore 307964. The financial statements are expressed in Singapore dollars, which is the functional currency of the Company.

The principal activity of the Company is that of a hotelier and investment holding. The principal activities of the subsidiaries are disclosed in Note 11.

On 2 December 1968, the Company was listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

COVID-19 pandemic and the aftermath

The COVID-19 pandemic and the aftermath of the pandemic globally had impacted the business of the Group due to travel restrictions and social distancing measures implemented. In view of the current situation arising from the pandemic, market sentiments may continue to change and impact the valuation or recoverability of certain assets (including valuation of freehold land and impairment allowances for property, plant and equipment and investment properties) (Notes 14 and 15).

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2021 were authorised for issue by the board of directors on 31 March 2022.

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 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

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 leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *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. These levels are described below:

- Level 1 inputs are unadjusted quoted prices 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.

ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2021, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as discussed below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF ACCOUNTING (cont'd)

Impact of the initial application of Interest Rate Benchmark Reform

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform: *Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7*. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates ("IBOR") to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group will transition its significant exposures to RFRs by 30 June 2023.

As a result of Phase 2 amendments, when the contractual terms of the Group's bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of SFRS(I) 9 are applied to the other changes.

STANDARDS ISSUED BUT NOT YET EFFECTIVE - At the date of authorisation of these financial statements, the following SFRS(I)s pronouncements that are relevant to the Group and the Company were issued but not effective:

Effective for annual periods beginning on or after 1 January 2022

- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*
- Annual improvements to SFRS(I)s 2018-2020

Effective for annual periods beginning on or after 1 January 2023

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*
- Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION (cont'd)

- 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. 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to any non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and any 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.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

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 the 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 SFRS(I)s). 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 SFRS(I) 9 *Financial Instruments*.

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

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BUSINESS COMBINATIONS (cont'd)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amortised cost and effective interest method (cont'd)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "revenue" line item.

<u>Equity instruments designated as at FVTOCI</u>

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of SFRS(I) 9 (see Note 8).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

<u>Financial assets at FVTPL</u>

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss is included in the "other income" or "other expenses" line item and any dividend or interest earned on the financial asset is included in the "revenue" line item. Fair value is determined in the manner described in Note 4(d)(vi).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" or "other expenses" line item;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" or "other expenses" line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- significant increase in credit risk on other financial instruments of the same debtors;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant increase in credit risk (cont'd)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower; or

b) a breach of contract, such as a default or past due event; or

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would nototherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped based on the nature, size and industry of the debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other income" or "other expenses" line item.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities at FVTPL (cont'd)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss. Fair value is determined in the manner described in Note 4(d)(vi).

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other income" or "other expenses" line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments

The Group enters into interest rate swaps to manage its exposure to interest rate and foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 18 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

INVENTORIES - Inventories comprising mainly consumables are stated at the lower of cost (weighted average method) and net realisable value. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses except for freehold land on which certain hotels are sited, which are stated at revalued amounts.

Revaluations of freehold hotel land is performed with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of freehold hotel land is recognised in other comprehensive income and accumulated in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease 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 carrying amount arising on the revaluation of freehold hotel land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation increase of that asset.

Properties, plant and equipment in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any accumulated impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

On subsequent sale or retirement of a revalued freehold hotel land, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method except for linen, china, glassware, silver and uniforms where the original expenditure has been written down to approximately one-half of the original cost and all subsequent purchases have been written off as replacements. The estimated useful lives are as follows:

	Number of years
Leasehold land	Over the remaining terms of the leases (92 to 96)
Hotel buildings	45 to 92
Building improvements - hotels	10 to 25
Plant and equipment	3 to 10

Depreciation is not provided on freehold land, which is recorded at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

The gain or loss arising on 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 profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Fully depreciated assets still in use are retained in the financial statements.

INVESTMENT PROPERTIES - Investment properties are held on a long-term basis for income and potential investment gains. Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost, other than freehold land, over their estimated useful lives of 50 to 80 years, using the straight-line method. Acquired leasehold buildings are depreciated over the shorter of remaining useful life or the terms of the relevant lease.

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

GOODWILL - Goodwill arising in business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net amounts of the identifiable assets acquired and liabilities assumed, at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

IMPAIRMENT OF NON FINANCIAL ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IMPAIRMENT OF NON FINANCIAL ASSETS EXCLUDING GOODWILL (cont'd)

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.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

LEASES

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment property.

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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 added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessee (cont'd)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described above.

REVENUE RECOGNITION - The Group recognises revenue from the following major sources:

- Hotel; and
- Investment properties.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Revenue from hotel operations

Revenue from operations of a hotel is recognised from the following major sources: hotel stays, carpark and spa services, and sales of food and beverages.

Revenue for hotel operations is recognised at a point in time when the services are rendered. This is also the point where the Group is entitled to payment.

Revenue from sales of food and beverages are recognised when control of the goods has transferred, being at the point in time when the food and beverages are consumed. This is also the point where the Group is entitled to payment.

Other hotel related revenue relating to spa services and car park revenue are recognised when the services are rendered to the customers. Payment is due immediately when the customer consumes the service.

Rental income

Rental income recognition is described above in lease accounting policy above.

Financial investment income

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 right to receive payment is established.

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, namely assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets until such time as the assets are substantially ready for their intended use or sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BORROWING COSTS (cont'd)

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

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.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense in profit or loss as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and Malaysia Employee Provident Fund are dealt with as payments to defined contribution plans.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss as employee benefits expense. Curtailment gains or losses are accounted for as past service costs.

Subsidiaries in Thailand and Malaysia operate unfunded Retirement Benefit Schemes ("the Schemes") for their eligible employees. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement gains and losses are recognised in other comprehensive income and accumulated in employee benefit reserve. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

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 profit and loss statement 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 enacted in countries where the Company and subsidiaries operate 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 base 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INCOME TAX (cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary difference associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when 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), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates 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 on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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 on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, 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 the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOW - Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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 above, 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 accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements (apart from those involving estimates which are dealt with below).

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.

<u>Recoverable amount of investments in subsidiaries in the Company's statement of financial position</u>

Management has evaluated whether there is any indication of impairment by considering both internal and external sources of information, performance of the subsidiaries and the market conditions in which the subsidiaries operate in. In assessing the impairment loss, the recoverable amounts for investments in subsidiaries were determined based on the estimated fair value less cost to sell of the underlying assets of the individual subsidiary.

During the financial year, management has determined that the recoverable amount of certain investments in subsidiaries is lower than its carrying amount and accordingly, an impairment of $15,687,000 (2020: $9,441,000) has been recognised in profit or loss. The carrying amounts of investments in subsidiaries, including additional funds provided to subsidiaries and deemed investments are disclosed in Note 11.

<u>Freehold hotel land at revalued amounts (Note 14)</u>

The valuation for freehold land involves significant judgement and estimates in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Freehold hotel land at revalued amounts (Note 14) (cont'd)

Certain freehold land are valued using the direct comparison approach and the key inputs are values per square meter referenced to comparable properties but adjusted for differences such as location, size, tenure and accessibility.

Other freehold land are valued using the residual approach, where the residual value of the land is estimated after deducting depreciated replacement cost of the hotel from the value of the whole property - land and hotel. The income capitalisation approach is used by the valuer to estimate the value of each whole property. The value of the whole property is sensitive to key inputs such as occupancy rates and revenue per room (which affect the projected earnings before interest, tax, depreciation and amortisation); and the capitalisation rate. Management has exercised their judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions.

A change to any of the key inputs may have a significant impact on the valuation of each of the properties. Additional information about inputs are described in Note 14.

Some of the external valuers highlighted that given the unprecedented set of circumstances on which to base a judgement and given the unknown future impact that COVID-19 might have on the real estate markets, the valuers recommended to keep the valuation of these properties under frequent review.

Impairment of leasehold land, hotel building and building improvements ("leasehold land and hotel buildings") and investment properties

The Group assess annually whether leasehold land and hotel buildings and investment properties have any indication of impairment in accordance with its accounting policy. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In assessing the recoverable amount of the leasehold land and hotel buildings, and IPs, management has relied on the valuations performed by independent external valuers to estimate the recoverable amounts and the impairment required, and this involves significant judgement and estimates in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied.

Underlying the valuations for leasehold land and hotel buildings and an IP, are key inputs such as occupancy rates and revenue per room (which affect the projected earnings before interest, tax, depreciation and amortisation) and the capitalisation rate, which are sensitive to changes.

Other IPs are valued using the direct comparison approach and the key inputs are values per square meter referenced to comparable properties, taking into consideration for differences such as location, size, tenure and accessibility.

The value-in-use as stated in the valuation report is lower than its respective carrying amount for certain of these assets. Accordingly, an impairment of $7,209,000 and $Nil (2020: $8,765,000 and $3,500,000) has been recognised for leasehold land and hotel buildings, and investment properties respectively. The value-in-use computation involves estimations relating to projected future earnings, occupancy rates, revenue per room and a discount rate ranging from 8% to 9% (2020: 8% to 9%). Any change in such projections and estimates can result in changes to the impairment loss in future periods. The carrying amounts of leasehold land and hotel buildings and investment properties at the end of the reporting period are disclosed in Notes 14 and 15 to the financial statements respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

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

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Financial assets at amortised cost	33,735	25,497	118,023	98,775
Financial assets designated as at FVTPL	3,898	3,406	1,477	1,006
Equity instruments designated as at FVTOCI	27,464	26,288	17,188	17,018
Financial liabilities				
Financial liabilities at amortised cost	205,104	136,036	108,147	74,020
Derivative financial instruments	-	196	-	-
Financial guarantee	-	-	3,517	2,156

(b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group and the Company do not have financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

(c) *Financial risk management policies and objectives*

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group arising from exposure to financial risks such as changes in foreign currency exchange rates, interest rates and equity prices. There has been no change to the Group's exposure to financial risks or the manner in which it manages and measures the risks.

The investments in bonds, fixed income funds and equity shares as disclosed in Notes 7 and 8 are subject to a variety of financial risks, including credit risk of counterparties, liquidity risk, interest rate risk, foreign currency risk, and other market risks related to prices of equity. The Group engages professional investment managers from banks to manage the risks and returns from certain financial investments classified as held for trading. All investment accounts opened with professional investment managers from banks are approved by the board of directors. Investment managers from the banks are given discretionary powers to make investment decisions on behalf of management based on specified guidelines for managed funds.

(d) *Exposure to financial risks*

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) *Exposure to financial risks (cont'd)*

(i) Credit risk management (cont'd)

The tables below detail the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades:

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2021						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	3,782	(401)	3,381
Other receivables and refundable deposits	10	Performing	12-month ECL	1,705	-	1,705
					(401)	
2020						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	2,551	(510)	2,041
Other receivables and refundable deposits	10	Performing	12-month ECL	7,577	-	7,577
					(510)	
Company						
2021						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	739	(136)	603
Other receivables and refundable deposits	10	Performing	12-month ECL	63	-	63
					(136)	
2020						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	853	(83)	770
Other receivables and refundable deposits	10	Performing	12-month ECL	119	-	119
					(83)	

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) *Exposure to financial risks (cont'd)*

(i) Credit risk management (cont'd)

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 9 includes further details on the loss allowance for these trade receivables.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above and investments in these instruments, where the counterparties have minimum BBB- credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, management assesses the potential customer's credit quality and defines credit limits by customer. The review of customer credit limits is conducted annually. There is no single customer who accounts for 10% or more of the Group's trade receivables.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group's credit risk is primarily attributable to its cash and bank balances, trade and other receivables. Cash and fixed deposits (Note 6) are in the custody of creditworthy financial institutions. Trade receivables are largely from credit card companies, tour agencies, regular corporate clients, hotels and tenants at the properties of the Group. Deposits may be collected to mitigate the credit risks.

The Group has no significant concentration of credit risk.

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.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

ii) Interest rate risk management

The Group is exposed to Singapore Interbank Offered Rate ("SIBOR"). The exposures arise on bank borrowings referenced to SIBOR.

The Group is closely monitoring the market and the updates from the various industry working groups managing the transition to new benchmark interest rates in Singapore and Thailand. Particularly in Singapore, this includes announcements made by the Association of Banks in Singapore (ABS), the Singapore Foreign Exchange Market Committee (SFEMC), and the Steering Committee for SOR Transition to SORA (SC-STS) ("IBOR Committees"). The IBOR Committees have confirmed that the Singapore Swap Offer Rate ("SOR") will be discontinued by 30 June 2023 and the SIBOR on a phased basis by 31 December 2024 respectively, and replaced by the Singapore Overnight Rate Average ("SORA"). The Group expects that there are no significant effects to those contracts that referenced to SIBOR.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) *Exposure to financial risks (cont'd)*

ii) Interest rate risk management (cont'd)

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. Information on variable interest rate instruments are in section (v) below, and in Notes 16 and 20.

Interest rate sensitivity

The sensitivity analyses below is based on the exposure to variable interest rates for financial assets and financial liabilities at the end of the reporting period.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss would increase/decrease by approximately $0.98 million (2020: $0.64 million).

The above analysis excludes the effects that changes in interest rates would have on the fair value of fixed rate bonds, fixed income funds and money market funds. Generally, increases and decreases in interest rates will have inverse impact on the fair value of investments which have fixed interest rates.

(iii) Foreign currency risk management

At the reporting date, the carrying amounts of financial assets denominated in currencies other than the functional currency of the respective entities in the Group are as follows:

	The Group		The Company	
	Assets		Assets	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
United States dollar	10,335	7,226	2,918	2,319
Euro	888	790	66	85
British Pound	22	-	22	-
Swiss Franc	57	-	57	-
Japanese Yen	59	-	59	-
Malaysian ringgit	-	222	-	-
Norwegian Kroner	63	-	63	-
Hong Kong dollar	14	172	14	81
Thai baht	4	5	4	5

The above amounts include balances of subsidiaries which are eliminated on consolidation in the statement of financial position but will continue to contribute to foreign currency exposures in the statement of profit or loss and other comprehensive income.

There are no significant financial liabilities denominated in currencies other than the functional currency of the respective entities.

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each entity in the Group using the monetary amounts denominated in foreign currency at the period.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) *Exposure to financial risks (cont'd)*

(iii) Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

If the relevant foreign currency strengthens or weakens by 5% against the functional currency of each Group entity:

(a) Loss will decrease or increase respectively by approximately:

	The Group	
	2021	**2020**
	$'000	**$'000**
Impact arising from		
Hong Kong dollar	-	1
United States dollar	119	96
Norwegian Kroner	3	-

(b) Other comprehensive income will increase or decrease respectively by approximately:

	The Group	
	2021	**2020**
	$'000	**$'000**
Impact arising from		
United States dollar	398	265
Euro	44	39
British Pound	1	-
Swiss Franc	3	-
Japanese Yen	3	-
Hong Kong dollar	1	8
Malaysian ringgit	-	11

Changes in exchange rates of other currencies do not have a significant effect on profit or loss, and other comprehensive income.

Additionally, the Group is exposed to currency translation risk arising from net assets of subsidiaries operating in Malaysia, New Zealand and Thailand which are denominated in their respective domestic currencies which is also their functional currencies.

At the end of the year, net assets in the following countries, expressed as a percentage of net assets of the Group were as follows:

	The Group	
	2021	**2020**
	%	**%**
Malaysia	12	8
New Zealand	8	8
Thailand	9	10

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) *Exposure to financial risks (cont'd)*

(iv) Equity price risk management

The Group is exposed to equity risks arising from equity investments at FVTPL and at FVTOCI. Equity investments measured at FVTOCI are held for strategies rather than trading purposes. The Group does not actively trade such investments.

Further details of these equity investments can be found in Notes 7 and 8.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

In respect of equity instruments at FVTOCI, if equity price had been 10% higher/lower while all other variables were held constant, the Group's fair value reserves would increase/decrease by approximately $2.7 million (2020: $2.6 million).

(v) Liquidity risk management

At the end of the year, the Group and the Company have unutilised credit facilities totaling $175.4 million (2020: $202.8 million) and $101.3 million (2020: $130.9 million) respectively.

From time to time, management evaluates the tenure of credit facilities. Both the Company and the Group have adequate resources to discharge obligations as and when they fall due.

Liquidity and interest risk analyses

Financial liabilities

The following table details the remaining contractual maturity for financial liabilities. The undiscounted cash flows of financial liabilities stated below are based on the earliest date on which the Group and Company can be required to pay interest and principal cash flows. The adjustment column represents future interest which is not included in the carrying amounts of the financial liabilities in the statements of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) *Exposure to financial risks (cont'd)*

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

Financial liabilities (cont'd)

	Weighted average effective interest rate		On demand or within 1 year		Within 2 to 5 years		Adjustment		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	% p.a.	**% p.a.**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Liabilities										
The Group										
Non-interest bearing	NA	NA	8,946	8,487	27	31	-	-	8,973	8,518
Fixed interest rate instruments	NA	1.94	-	185	-	15	-	(4)	-	196
Variable interest rate instruments	2.09	2.42	34,086	10,363	176,951	126,971	(14,906)	(9,816)	196,131	127,518
			43,032	19,035	176,978	127,017	(14,906)	(9,820)	205,104	136,232
The Company										
Non-interest bearing	NA	NA	5,526	4,376	-	-	-	-	5,526	4,376
Variable interest rate instruments	1.21	1.6	2,005	1,509	108,989	75,636	(4,856)	(5,345)	106,138	71,800
			7,531	5,885	108,989	75,636	(4,856)	(5,345)	111,664	76,176

NA: not applicable.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) *Exposure to financial risks (cont'd)*

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

Financial assets

The following table details the expected maturity for financial assets. The amounts are based on the contractual maturities of the financial assets including future interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents future interest which is not included in the carrying amounts of the financial assets on the statements of financial position.

	Weighted average effective interest rate		On demand or within 1 year		Within 2 to 5 years		Adjustment		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	%p.a.	**%p.a.**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets										
The Group										
Non-interest bearing	NA	NA	34,296	33,509	18,478	17,841	-	-	52,774	51,350
Fixed interest rate instruments	1.78	0.48	12,382	3,876	-	-	(59)	(35)	12,323	3,841
			46,678	37,385	18,478	17,841	(59)	(35)	65,097	55,191
The Company										
Non-interest bearing	NA	NA	23,090	6,306	15,528	15,252	-	-	38,618	21,558
Fixed interest rate instruments	NA	0.14	-	2,006	-	-	-	(3)	-	2,003
Variable interest rate instruments	1.82	2.39	1,867	2,312	103,858	102,078	(8,834)	(11,152)	96,891	93,238
			24,957	10,624	119,386	117,330	(8,834)	(11,155)	135,509	116,799

Derivative financial instruments

The Group's derivative financial instruments comprise interest rate swap which are measured at fair value at the end of the reporting period. See Note 18 for more information on derivative financial instruments.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) *Exposure to financial risks (cont'd)*

(vi) Fair value of financial assets and financial liabilities

The Group and the Company determines fair values of financial assets and financial liabilities in the following manner:

(a) *Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to the relatively short term maturity of these financial instruments. The carrying amounts of long term borrowings approximate their fair values as interest rates float with market rates. See Note 18 for more information on derivative financial instruments.

(b) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

The following financial assets are measured at fair value at the end of each reporting period. Fair values belong to the following levels in the fair value hierarchy.

	Level 1		Level 3	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
The Group				
Financial assets at fair value through profit or loss:				
- Quoted bonds	3,887	3,396	-	-
- Unquoted managed funds	-	-	11	10
Financial assets at fair value through other comprehensive income:				
- Quoted equity shares	11,680	11,594	-	-
- Structured products	-	-	859	-
- Unquoted equity shares	-	-	14,925	14,694
The Company				
Financial assets at fair value through profit or loss:				
- Quoted bonds	1,466	997	-	-
- Unquoted managed funds	-	-	11	9
Financial assets at fair value through other comprehensive income:				
- Quoted equity shares	2,263	2,324	-	-
- Unquoted equity shares	-	-	14,925	14,694

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) *Exposure to financial risks (cont'd)*

(vi) Fair value of financial assets and financial liabilities

Fair values of investments classified as Level 1 of the fair value hierarchy are based on publicly available quoted prices. Level 3 investments are measured based on net assets of the unquoted funds as provided by the fund managers and measured based on adjusted net assets of the unquoted equity shares. There is no investment falling within Level 2 of the fair value hierarchy.

Reconciliation of Level 3 fair value measurement:

	Financial assets at FVTPL (Unquoted managed funds)	Financial assets at FVTOCI (Structured products and equity shares)	Total
	$'000	$'000	$'000
2021			
Group			
Opening balance	10	14,694	14,704
Purchases	-	859	859
Total gains or loss:			
- In profit or loss *	1	-	1
- In other comprehensive income	-	231	231
Closing balance	11	15,784	15,795
Company			
Opening balance	9	14,694	14,703
Total gains or loss:			
- In profit or loss *	2	-	2
- In other comprehensive income	-	231	231
Closing balance	11	14,925	14,936
2020			
Group			
Opening balance	5	14,831	14,836
Total gains or loss:			
- In profit or loss *	5	-	5
- In other comprehensive income	-	(137)	(137)
Closing balance	10	14,694	14,704
Company			
Opening balance	1	14,831	14,832
Total gains or loss:			
- In profit or loss *	8	-	8
- In other comprehensive income	-	(137)	(137)
Closing balance	9	14,694	14,703

* Included as part of "other income" or "other expense" in profit or loss.

The gains and losses included in other comprehensive income relate to investments designated at FVTOCI held at the end of the reporting period and are reported as changes of "fair value reserves".

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(e) *Capital management policies and objectives*

The Group's overall strategy for managing capital remains unchanged from prior year. Capital of the Group is managed to ensure that entities in the Group will be able to continue as going concern and returns to stakeholders are optimised through a mix of equity, short-term and long-term debts.

The capital structure of the Group consists of equity comprising share capital (Note 22), reserves and retained earnings; and debt which comprise bank loans (Notes 16 and 20).

Management reviews the capital structure at least once a year, taking into consideration the cost of capital, the risks and tenure associated with each class of capital. The bank loans require the Group to comply with certain covenants such as debt to security ratio. The Group is in compliance with these covenants except for a subsidiary. In the current year, a financial covenant relating to secured borrowings amounting to $15.3 million of a subsidiary was not met and was classified as current liabilities. This borrowing had matured subsequent to year end and has yet to be repaid as at the date of financial statements as the Group is negotiating the re-financing with the bank.

Information on aggregate debts as a ratio of total assets and equity are as follows:

	The Group	
	2021	**2020**
	$'000	**$'000**
Total debt	196,131	127,518
Total assets	794,146	782,811
Total equity	561,170	623,818
Debt-to-total assets ratio	25%	16%
Debt-to-total equity ratio	35%	20%

5 RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

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

	The Group	
	2021	**2020**
	$'000	**$'000**
Short-term benefits	928	1,042
Post-employment benefits	26	40
	954	1,082

The remuneration of directors and key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Other related party transactions comprise:

	The Group	
	2021	**2020**
	$'000	**$'000**
Fees paid to a medical practice owned by a director	4	6
Rental income from a related party *	97	80
Commission paid to a related party for property management services *	22	16

* Entities in which certain directors of the Company have equity interest, hold significant influence and/or are key management personnel of the entities.

6 CASH AND BANK BALANCES

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Cash on hand	113	110	45	42
Cash at bank	16,703	12,251	9,242	2,603
Fixed deposits	12,323	3,841	10,000	2,003
Total	29,139	16,202	19,287	4,648
Less: Fixed deposits pledged	(1,036)	(1,053)	-	-
Cash and cash equivalents in statement of cash flows	28,103	15,149	19,287	4,648

Fixed deposits of a subsidiary are pledged for a loan facility (Note 20).

The Group and the Company's fixed deposits earn interest ranging from 0.15% to 1.80% and 0.15% (2020: 0.14% to 1.75% and 0.14%) per annum respectively and for terms ranging from 33 days to 365 days and 33 days (2020: 30 days to 365 days and 30 days) respectively.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group designated the investments shown below as at FVTPL because these represent investments that offer the Group the opportunity for return through dividend income and fair value gains.

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Quoted bonds	3,887	3,396	1,466	997
Unquoted managed funds	11	10	11	9
	3,898	3,406	1,477	1,006

The investments above offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

Unquoted managed funds are measured at fair value through profit or loss in accordance with SFRS(I) 9 *Financial Instruments*, as they represent an identified portfolio of investments which the Group manages together with an intention of profit taking when the opportunity arises.

Changes in the fair value of financial assets at fair value through profit or loss, amounting to net loss of $11,000 (2020: $134,000) have been included in profit or loss for the year as part of " other expenses ".

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group designated the investments shown below as equity investments as at FVTOCI because these equity investments represent investments that the Group intends to hold for the medium to long-term for strategic purposes.

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Current assets				
Quoted equity shares	8,127	8,447	1,660	1,766
Structured products	859	-	-	-
	8,986	8,447	1,660	1,766
Non-current assets				
Quoted equity shares	3,553	3,147	603	558
Unquoted equity share	14,925	14,694	14,925	14,694
	18,478	17,841	15,528	15,252
Total	27,464	26,288	17,188	17,018

The investments above offer the Group the opportunity for return through dividend income and fair value gains.

The financial assets held at fair value through other comprehensive income presented as current assets are those held in investment accounts managed on behalf of the Group by professional fund managers and are subject to changes in components of investments within the portfolio. The financial assets held at fair value through other comprehensive income presented as non-current assets are those managed directly by the Group and are held for long term investments.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

9 TRADE RECEIVABLES

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade receivables	3,764	2,531	739	853
Related parties [1]	18	20	-	-
Total	3,782	2,551	739	853
Less: Loss allowance	(401)	(510)	(136)	(83)
	3,381	2,041	603	770

(1) Entities in which certain directors of the Company have equity interest, hold significant influence and/or are key management personnel of the entities.

The credit period granted to customers is generally 30 days (2020: 30 days). No interest is charged on the outstanding trade receivables. Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over a year past due because historical experience has indicated that these receivables are generally not recoverable.

9 TRADE RECEIVABLES (cont'd)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over one year past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The age of receivables past due but not impaired amounted to $1.6 million (2020: $0.8 million) and ranges from 31 to 60 days (2020: 31 to 60 days). Allowance of $401,000 (2020: $510,000) had been provided against receivables that are past due.

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Balance at beginning of the year	510	194	83	37
Loss allowance recognised in profit or loss during the year:				
- Assets originated	154	320	104	54
- No longer required (write-back)	(222)	(18)	(30)	(8)
- Exchange adjustment	(10)	14	-	-
Write off against loss allowance	(31)	-	(21)	-
Balance at end of the year	401	510	136	83

10 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Outside parties	1,188	778	63	119
Refundable deposits (a)	517	6,799	-	-
Prepaid expenses	1,600	3,019	64	87
Government grant receivables (b)	63	606	40	373
	3,368	11,202	167	579

(a) Included in the refundable deposits as at 31 December 2020 pertaining to a refundable deposit paid of RM19.7 million (approximately $6.54 million) for the proposed acquisition of Royale Chulan Bukit Bintang Hotel and its business in Kuala Lumpur, Malaysia. The acquisition was completed in February 2021.

(b) Government grant receivable relates to Job Support Scheme ("JSS") payouts receivable, which are part of the Singapore Government's measures to support business during the period of economic uncertainty impacted by COVID-19.

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

10 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (cont'd)

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Management has determined the credit loss to be insignificant.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

11 SUBSIDIARIES

	The Company	
	2021	2020
	$'000	$'000
Unquoted equity shares - at cost	97,703	97,703
Less: Impairment loss	(2,000)	(2,000)
	95,703	95,703
Funds provided to subsidiaries	119,823	99,304
Less: Impairment loss	(21,753)	(6,066)
	98,070	93,238
Deemed investment in subsidiaries arising from fair value of corporate guarantees given to banks which extended credit facilities to the subsidiaries	14,225	12,234
Less: Impairment loss	(1,375)	(1,375)
	12,850	10,859
	206,623	199,800

Movement of impairment loss:

	The Company	
	2021	2020
	$'000	$'000
Balance at beginning of the year	9,441	-
Impairment loss recognised in profit or loss	15,687	9,441
Balance at end of the year	25,128	9,441

The Company carried out a review of the recoverable amounts of its subsidiaries where there was an indication that the investments had suffered an impairment loss. The review concluded that an impairment of $25,128,000 (2020: $9,441,000) is required on the carrying amount of certain investments. The recoverable amount is determined based on the carrying amount of the relevant subsidiaries' audited net assets, adjusted for revaluation gain or loss on the hotel land and/ or building of the subsidiary which is not included in the subsidiary's accounts or which approximates recoverable amount at the end of the reporting period.

11 SUBSIDIARIES (cont'd)

The details of the Company's subsidiaries are as follows:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activities
		2021	2020	2021	2020	
		%	%	%	%	
Royal Properties Investment Pte Ltd	Singapore	100	100	100	100	Investment in properties and subsidiaries.
Royal Capital Pte Ltd	Singapore	100	100	100	100	Investment in financial assets.
Castle Mall Properties Pte Ltd (wholly owned subsidiary of Royal Properties Investment Pte Ltd)	Singapore	100	100	100	100	Provision of intercompany loans.
Hotel Royal @ Queens (Singapore) Pte Ltd (wholly owned subsidiary of Royal Properties Investment Pte Ltd)	Singapore	100	100	100	100	Owns and manages a hotel.
Hotel Royal (Thailand) Private Limited	Singapore	100	100	100	100	Investment in subsidiaries.
Prestige Properties Sdn. Bhd. (1)	Malaysia	100	100	100	100	Investment in subsidiaries.
Faber Kompleks Sdn. Bhd. (1) (wholly owned subsidiary of Prestige Properties Sdn. Bhd.)	Malaysia	100	100	100	100	Owns and manages a hotel and commercial properties.
Premium Lodge Sdn. Bhd. (1) (wholly owned subsidiary of Prestige Properties Sdn. Bhd.)	Malaysia	100	100	100	100	Owns and manages a hotel.
Baba Residences Sdn. Bhd. (1) (wholly owned subsidiary of Prestige Properties Sdn. Bhd.)	Malaysia	100	100	100	100	Owns and manages a hotel.
Every Room a Home Sdn. Bhd. (1) (wholly owned subsidiary of Prestige Properties Sdn. Bhd.)	Malaysia	100	100	100	100	Owns and manages a hotel.
Grand Complex Properties Ltd (1) (wholly owned subsidiary of Royal Properties Investment Pte Ltd)	New Zealand	100	100	100	100	Investment in commercial properties.
Hotel Royal Bangkok (Thailand) Co., Ltd (1)(2) (shares held by Hotel Royal (Thailand) Private Limited)	Thailand	40	40	87	87	Owns and manages a hotel.
Excellent Hotel (Thailand) Co., Ltd. (1)(3) (shares held by Hotel Royal (Thailand) Private Limited)	Thailand	49	49	91	91	Investment in subsidiary.
Panali Co., Ltd. (1)(4)	Thailand	74	74	100	100	Owns a hotel.

11 SUBSIDIARIES (cont'd)

The details of the Company's subsidiaries are as follows: (cont'd)

All the subsidiaries are audited by Deloitte & Touche LLP, Singapore except as indicated below:

(1) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

(2) Hotel Royal (Thailand) Private Limited (a wholly-owned subsidiary in the Group) holds 40% of all shares in Hotel Royal Bangkok (Thailand) Co., Ltd and controls 87% of all votes exercisable by shareholders of Hotel Royal Bangkok (Thailand) Co., Ltd. The Articles of Association of Hotel Royal Bangkok (Thailand) Co., Ltd specifies that Hotel Royal (Thailand) Private Limited is responsible for all liabilities, assets and retained earnings of Hotel Royal Bangkok (Thailand) Co., Ltd. The consolidated financial statements of the Group thus includes all liabilities, assets and retained earnings of Hotel Royal Bangkok (Thailand) Co., Ltd.

(3) Hotel Royal (Thailand) Private Limited (a wholly-owned subsidiary in the Group) holds 49% of all shares in Excellent Hotel (Thailand) Co., Ltd and controls 91% of all votes exercisable by shareholders of Excellent Hotel (Thailand) Co., Ltd. The Articles of Association of Excellent Hotel (Thailand) Co., Ltd specifies that Hotel Royal (Thailand) Private Limited is responsible for all liabilities, assets and retained earnings of Excellent Hotel (Thailand) Co., Ltd. The consolidated financial statements of the Group thus includes all liabilities, assets and retained earnings of Excellent Hotel (Thailand) Co., Ltd.

(4) The Company's subsidiaries, Hotel Royal (Thailand) Private Limited and Excellent Hotel (Thailand) Co., Ltd hold an aggregate of 100% of the equity shares of Panali Co., Ltd.

The amounts owing by subsidiaries to the Company are unsecured, not expected to be repaid within the next 12 months. The outstanding amount of $119.8 million (2020: $99.3 million) bear interest ranging from 1.55% to 3.55% (2020: 1.99% to 2.41%) per annum which approximate market interest rate. Hence, the carrying amounts approximate their respective fair values.

The Company undertakes to provide financial support to certain subsidiaries with net current liabilities to ensure that subsidiaries can meet their contractual obligations when they fall due.

12 OTHER ASSETS

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Lease incentives	949	777	61	84
Less: Current portion included in trade receivables	(490)	(323)	-	-
Non-current portion	459	454	61	84
Deposits	70	76	-	-
	529	530	61	84

Lease incentives refer to non-cash incentives provided to tenants for entering into rental agreements for properties owned by the Group. The incentives are recognised as a reduction of rental income over the lease term on a straight-line basis.

13 GOODWILL

	The Group	
	2021	2020
	$'000	$'000
At beginning of the year	-	2,057
Impairment loss recognised in profit or loss	-	(2,007)
Exchange adjustment	-	(50)
At end of the year	-	-

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the respective hotel operations.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Goodwill has been fully impaired as at 31 December 2020 due to deterioration in the capability of the subsidiary to generate future cashflows.

The recoverable amounts of the CGU are determined at the higher of net realisable value and value in use calculations. The key assumptions for the value in use calculations are growth in room rates, occupancy rates, operating costs and the rate to discount future net cash flows to present value (the discount rate). Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGU. Changes in room rates and direct costs are based on expectations of specific to the CGU as well as the industry at large.

In 2020, the Group prepared cash flow forecasts derived from budgets approved by management for the next 10 years and extrapolated cash flows for the following years based on long term growth rate of 3.00% per annum. The rate used to discount the forecast cash flows to present values was at 10.5% per annum.

Any reasonably possible change to the key assumptions applied not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land - hotels	Leasehold land	Hotel buildings	Building improvements - hotels	Plant and equipment	Linen, china glassware, silver and uniform	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group								
Cost or valuation:								
As at 1 January 2020	523,055	2,833	144,975	22,006	51,500	1,074	1,888	747,331
Additions	-	-	719	372	1,661	11	457	3,220
Disposals	-	-	-	(166)	(187)	(6)	-	(359)
Reclassification	-	-	-	806	-	-	(806)	-
Revaluation loss	(42,465)	-	-	-	-	-	-	(42,465)
Exchange adjustment	(1,117)	-	(1,241)	(167)	(164)	(12)	(20)	(2,721)
As at 31 December 2020	479,473	2,833	144,453	22,851	52,810	1,067	1,519	705,006
Additions	-	-	659	112	1,666	-	-	2,437
Acquisition of business (Note 34)	33,054	-	31,758	-	-	-	-	64,812
Disposals	-	-	-	-	(62)	-	-	(62)
Revaluation loss	(44,000)	-	-	-	-	-	-	(44,000)
Exchange adjustment	(4,311)	(45)	(4,993)	(828)	(683)	(42)	(25)	(10,927)
As at 31 December 2021	464,216	2,788	171,877	22,135	53,731	1,025	1,494	717,266
Comprising:								
31 December 2021								
At valuation	464,216	-	-	-	-	-	-	464,216
At cost	-	2,788	171,877	22,135	53,731	1,025	1,494	253,050
Total	464,216	2,788	171,877	22,135	53,731	1,025	1,494	717,266
31 December 2020								
At valuation	479,473	-	-	-	-	-	-	479,473
At cost	-	2,833	144,453	22,851	52,810	1,067	1,519	225,533
Total	479,473	2,833	144,453	22,851	52,810	1,067	1,519	705,006

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land - hotels $'000	Leasehold land $'000	Hotel buildings $'000	Building improvements - hotels $'000	Plant and equipment $'000	Linen, china glassware, silver and uniform $'000	Construction in progress $'000	Total $'000
The Group								
Accumulated depreciation:								
As at 1 January 2020	-	85	24,463	9,742	39,987	873	-	75,150
Charge for the year	-	30	1,802	842	3,883	18	-	6,575
Disposals	-	-	-	(166)	(166)	(5)	-	(337)
Exchange adjustment	-	-	(73)	(52)	(134)	(14)	-	(273)
As at 31 December 2020	-	115	26,192	10,366	43,570	872	-	81,115
Charge for the year	-	30	1,307	1,075	3,624	47	-	6,083
Disposals	-	-	-	-	(62)	-	-	(62)
Exchange adjustment	-	(1)	(420)	(295)	(604)	(46)	-	(1,366)
As at 31 December 2021	-	144	27,079	11,146	46,528	873	-	85,770
Accumulated impairment loss:								
As at 1 January 2020	-	323	394	-	-	-	-	717
Impairment loss	325	-	1,907	6,396	43	94	-	8,765
Exchange adjustment	-	-	5	15	-	-	-	20
As at 31 December 2020	325	323	2,306	6,411	43	94	-	9,502
Impairment loss	368	-	6,504	337	-	-	-	7,209
Exchange adjustment	(5)	(5)	(345)	(499)	(3)	(5)	-	(862)
As at 31 December 2021	688	318	8,465	6,249	40	89	-	15,849
Carrying amount:								
As at 31 December 2021	463,528	2,326	136,333	4,740	7,163	63	1,494	615,647
As at 31 December 2020	479,148	2,395	115,955	6,074	9,197	101	1,519	614,389

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land - hotels	Hotel buildings	Building improvements - hotels	Plant and equipment	Linen, china glassware, silver and uniform	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Company							
Cost or valuation:							
As at 1 January 2020	266,000	7,985	3,553	24,846	398	-	302,782
Additions	-	-	-	58	-	-	58
Disposals	-	-	-	(71)	-	-	(71)
Revaluation loss	(24,600)	-	-	-	-	-	(24,600)
As at 31 December 2020	241,400	7,985	3,553	24,833	398	-	278,169
Additions	-	-	-	129	-	-	129
Disposals	-	-	-	(54)	-	-	(54)
Revaluation loss	(25,200)	-	-	-	-	-	(25,200)
As at 31 December 2021	216,200	7,985	3,553	24,908	398	-	253,044
Comprising:							
31 December 2021							
At valuation	216,200	-	-	-	-	-	216,200
At cost	-	7,985	3,553	24,908	398	-	36,844
Total	216,200	7,985	3,553	24,908	398	-	253,044
31 December 2020							
At valuation	241,400	-	-	-	-	-	241,400
At cost	-	7,985	3,553	24,833	398	-	36,769
Total	241,400	7,985	3,553	24,833	398	-	278,169
Accumulated depreciation:							
As at 1 January 2020	-	7,153	3,191	18,246	217	-	28,807
Charge for the year	-	27	44	1,574	-	-	1,645
Disposals	-	-	-	(61)	-	-	(61)
As at 31 December 2020	-	7,180	3,235	19,759	217	-	30,391
Charge for the year	-	28	43	1,505	-	-	1,576
Disposals	-	-	-	(53)	-	-	(53)
As at 31 December 2021	-	7,208	3,278	21,211	217	-	31,914
Carrying amount:							
As at 31 December 2021	216,200	777	275	3,697	181	-	221,130
As at 31 December 2020	241,400	805	318	5,074	181	-	247,778

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. The right-of-use asset relating to leasehold land is presented under property, plant and equipment.

Property, plant and equipment of the Group and the Company with carrying amounts of $606.9 million and $217.3 million (2020: $603.6 million and $242.5 million) respectively are pledged as securities for the Group's and the Company's bank loans as disclosed in Notes 16 and 20.

During the year, the Group carried out a review of the recoverable amount of its property, plant and equipment. The review led to the impairment loss of $7,209,000 (2020: $8,765,000) based on valuation performed by independent appraisers as at 31 December 2021 (31 December 2020).

Fair value measurement of freehold land

Revaluation increase/decrease is recognised only for freehold hotel land in accordance with the Group's accounting policies.

The Group engaged independent professional valuers who have the appropriate qualification and recent experience in such fair value measurement, to assist management in assessing the fair values of freehold land. Information relating to significant estimates involved in valuation of freehold land are provided in Note 3.

Based on the valuation, revaluation loss amounting to $44.00 million (2020: $42.46 million) and $25.20 million (2020: $24.6 million) for the Group and Company respectively, was recognised in other comprehensive income. The revaluation loss is charged against the asset revaluation reserve to the extent that the decrease does not exceed the amount held in the asset revaluation reserve of the same freehold land. As at 31 December 2021, revaluation loss of $0.4 million (2020: $0.3 million) which exceeded the balance accumulated in the asset revaluation reserve of the same freehold land was recognised in profit or loss.

The estimated fair values as at the end of each reporting period of the Group's freehold land are as follows:

	2021 $'000	2020 $'000
The Group		
Freehold land:		
- Singapore	356,700	400,700
- Malaysia	61,492	29,315
- Thailand	45,336	49,133
The Company		
Freehold land	216,200	241,400

As at 31 December 2021, had freehold hotel land been carried at historical cost, their aggregate carrying amount would have been approximately $73.1 million (2020: $73.1 million) for the Group and $1.0 million (2020: $1.0 million) for the Company.

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Fair values of the Group's freehold and leasehold land and hotel buildings were estimated using inputs which are considered as Level 3 in the fair value hierarchy. Details of valuation techniques and significant unobservable inputs used in the fair value measurement are as follows:

	Valuation Methodology	Significant unobservable inputs (Level 3)	Inputs 2021	Inputs 2020
Freehold land and hotel buildings in Singapore	Income capitalisation for land and building	Occupancy rate [1]	73% to 80%	84% to 87%
		Room rate per day [1]	$120 to $130	$120 to $140
		Capitalisation rate [2]	4.00% to 4.25%	4.00% to 4.25%
	Residual method for land	Depreciated replacement cost per room [1]	$210,000 to $255,000	$189,000 to $264,000
Freehold and leasehold land in Malaysia	Direct Comparison Method for land	Price per square metre - after adjustment for differences such as location and size [1]		
		- Hotel Royal Kuala Lumpur	$13,610 (MYR42,044)	$13,832 (MYR42,044)
		- Penang	$2,680 (MYR8,287)	$2,723 (MYR8,287)
		- Baba Residences (including Baba Mansion)	$2,099 (MYR6,484)	$2,290 (MYR6,960)
Freehold land in Thailand	Direct Comparison Method for land	Price per square metre - after adjustment for differences such as location, size, configuration and accessibility [1]		
		- Bangkok	$15,255 (Baht375,000)	$16,500 (Baht375,000)
		- Phuket	$3,392 (Baht83,550)	$3,696 (Baht83,550)

(1) Any significant isolated increases (decreases) in these inputs can result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated increases (decreases) in these inputs can result in a significantly lower (higher) fair value measurement.

15 INVESTMENT PROPERTIES

	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Total $'000
The Group				
Cost:				
As at 1 January 2020	30,269	88,790	1,456	120,515
Additions *	-	6,735	-	6,735
Exchange adjustment	583	3,959	-	4,542
As at 31 December 2020	30,852	99,484	1,456	131,792
Additions *	-	7,048	-	7,048
Disposals	-	-	(1,441)	(1,441)
Exchange adjustment	(416)	(2,953)	-	(3,369)
As at 31 December 2021	30,436	103,579	15	134,030
Accumulated depreciation:				
As at 1 January 2020	-	17,835	603	18,438
Charge for the year	-	1,194	18	1,212
Exchange adjustment	-	714	-	714
As at 31 December 2020	-	19,743	621	20,364
Charge for the year	-	1,546	16	1,562
Disposals	-	-	(622)	(622)
Exchange adjustment	-	(553)	-	(553)
As at 31 December 2021	-	20,736	15	20,751
Accumulated impairment:				
As at 1 January 2020	-	-	-	-
Impairment for the year	-	3,500	-	3,500
Exchange adjustment	-	223	-	223
As at 31 December 2020	-	3,723	-	3,723
Reversal of impairment for the year	-	(96)	-	(96)
Exchange adjustment	-	(120)	-	(120)
As at 31 December 2021	-	3,507	-	3,507
Carrying amount:				
As at 31 December 2021	30,436	79,336	-	109,772
As at 31 December 2020	30,852	76,018	835	107,705

* Mainly arising from freehold buildings in New Zealand.

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. The right-of-use asset relating to leasehold building is presented under investment property.

Certain investment properties of the Group with carrying amounts of $107.6 million (2020: $105.5 million) are pledged as securities for the Group's bank loans (Notes 16 and 20).

The property rental income from the Group's investment properties amounted to $7.6 million (2020: $8.2 million). Direct operating expenses (including repairs and maintenance) arising from the rental-generating properties amounted to $6.3 million (2020: $6.1 million).

15 INVESTMENT PROPERTIES (cont'd)

Investment properties are recorded at cost less accumulated depreciation and any accumulated impairment losses. Fair value increases/decreases are not recognised for investment properties. The following estimates of fair values of investment properties are provided as information.

Estimated fair values of investment properties

	2021 $'000	2020 $'000
Freehold land and buildings in New Zealand	74,842	71,195
Freehold land and buildings in Malaysia	27,838	28,294
Freehold buildings in Singapore	7,400	7,400
Leasehold buildings in Singapore	-	8,400
Freehold land and building in Singapore	34,132	36,900
	144,212	152,189

Fair values of certain investment properties are generally assessed with reference to open market values of comparable properties and making adjustments for differences between the investment properties and the comparable properties. Fair value of other investment properties are assessed based on the estimated future cash flows and discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets.

Fair values of the Group's investment properties (disclosed above but not used as a basis of accounting in the statement of financial position) were estimated using inputs which are considered as Level 3 in the fair value hierarchy. The fair values for the properties were estimated after considering the results of various valuation techniques. Details of valuation techniques and significant unobservable inputs used in the fair value measurement were as follows:

	Valuation Methodology	Significant unobservable inputs (Level 3)
Freehold land and buildings in New Zealand	Investment Method	Capitalisation rate on adopted market rental profile (2) Growth rate (1) Rates to discount cash flows to present value (2)
Freehold land and buildings in Malaysia	Direct Comparison Method	Price per square metre of gross floor area (1)
Freehold and leasehold land and buildings in Singapore	Direct Comparison Method	Price per square metre of strata floor area (1)

(1) Any significant isolated increases (decreases) in these inputs can result in a significantly higher (lower) fair value measurement.

(2) Any significant isolated increases (decreases) in these inputs can result in a significantly lower (higher) fair value measurement.

15 INVESTMENT PROPERTIES (cont'd)

The Company	Freehold land $'000	Freehold buildings $'000	Total $'000
Cost:			
As at 1 January 2020	15,080	10,920	26,000
Additions	-	(39)	(39)
As at 31 December 2020 and 31 December 2021	15,080	10,881	25,961
Accumulated depreciation:			
As at 1 January 2020	-	3,124	3,124
Charge for the year	-	347	347
As at 31 December 2020	-	3,471	3,471
Charge for the year	-	352	352
As at 31 December 2021	-	3,823	3,823
Carrying amount:			
As at 31 December 2021	15,080	7,058	22,138
As at 31 December 2020	15,080	7,410	22,490

16 BANK LOANS

	The Group		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Short-term bank loans (secured)	4,495	4,172	-	-
Long-term bank loans (secured) - current portion (Note 20)	25,214	3,149	720	360
	29,709	7,321	720	360

Short term bank loans of the Group bear variable interest ranging from approximately 2.57% to 4.29% (2020: 2.8% to 4.3%) per annum. The above bank facilities are secured on mortgages of subsidiaries' freehold land and buildings, leasehold land, and certain investment properties with aggregate carrying amounts as disclosed in Notes 14 and 15.

Reconciliation of liabilities arising from financing activities

			Non-cash changes	
Group	As at 1 January $'000	Financing cash flows (i) $'000	Foreign exchange movement $'000	As at 31 December $'000
Bank loans and long-term bank loans (Notes 16 and 20)				
2021	127,518	73,850	(5,237)	196,131
2020	115,394	11,940	184	127,518

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

17 OTHER PAYABLES

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Outside parties	4,538	4,414	87	97
Subsidiaries	-	-	33,014	27,888
Deferred grant income	80	895	-	577
Financial guarantee contract liabilities	-	-	3,517	2,156
Total	4,618	5,309	36,618	30,718
Less: Amount payable within 12 months (shown under current liabilities)	(4,591)	(5,278)	(3,604)	(2,830)
Amount payable after 12 months	27	31	33,014	27,888

Other payables comprise mainly amounts outstanding for ongoing costs.

Deferred grant income relates to the wage support for local employees under the JSS from the Singapore Government. Grant income amounting to $1.7 million (2020: $2.0 million) has been recognised in the profit or loss on a systematic basis over the period of uncertainty in which the related salary costs for which the JSS grant is intended to compensate, is offset against staff costs recognised in expenses. Management has determined the period of uncertainty to be 25 months commencing April 2020.

Amounts owing to subsidiaries of $33,000,000 (2020: $27,879,000) are unsecured and bear interest at 0.78% (2020: 1.42%) per annum.

18 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the end of the reporting period:

Outstanding floating for fixed contracts	Contracted fixed interest rate	Notional principal amount	Derivative financial instruments	
			2021	2020
	% per annum	$'000	$'000	$'000
3 years contract	1.94	10,000	-	196

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is the SGD Swap Offered Rate which average about 0.51% per annum.

The derivative financial instruments are determined based on level 2 of fair value hierarchy and based on intermediate market rate between the offer rate and the bid rate.

During the financial year, fair value gain of $196,000 (2020: fair value loss of $196,000) recorded in profit or loss.

19 RETIREMENT BENEFIT OBLIGATIONS

The subsidiaries operate unfunded, defined benefit retirement benefit schemes (the "Schemes") in Thailand. Under the Schemes, eligible employee of the subsidiaries are entitled to retirement benefits based on 83% to 100% of their last drawn basic salary for Thailand employees, multiplied by the years of service on attainment of the normal retirement age of 55 years old in Thailand.

19 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

The amounts recognised in the statement of financial position are as follows:

	The Group	
	2021	2020
	$'000	$'000
Present value of unfunded defined benefit obligations	291	497
Payable:		
Within 1 year	5	26
Later than 1 year but not later than 2 years	15	20
Later than 2 years but not later than 5 years	84	80
Later than 5 years	187	371
	291	497

Changes in the present values of the defined benefit obligations since the beginning of year arise from changes in current service costs incurred, less benefits paid. Such changes are recorded in the statement of profit or loss.

Defined benefit obligations for subsidiaries in Thailand have been valued by qualified independent actuaries. The projected unit credit method is used in the valuations.

Principal actuarial assumptions used for the purpose of the actuarial valuations were as follows:

	The Group	
	2021	2020
	%	%
Discount rate	2.3	1.3 to 4.4
Expected rate of salary increases	4.0	3.0 to 4.0

20 LONG-TERM BANK LOANS

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Outside parties	191,636	123,346	73,124	43,921
Less: Amount due for settlement within 12 months (Note 16)	(25,214)	(3,149)	(720)	(360)
Amount due for settlement after 12 months	166,422	120,197	72,404	43,561

The Group's and the Company's long term bank loans are secured against the land and buildings (Note 14) and investment properties (Note 15).

The borrowing rates for the bank loans are repriced monthly or quarterly based on benchmark market rates. Management is of the view that the carrying amounts of these bank loans approximate their fair values.

21 DEFERRED TAX LIABILITIES

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Movement in deferred tax balance during the year				
Balance at beginning of year	20,379	20,450	787	1,020
Arising from revaluation of freehold hotel land	-	(6)	-	-
Charge (Credit) to profit or loss for the year	7,376	(255)	73	(15)
(Over) Under provision in prior year	(75)	(211)	(19)	(218)
Exchange adjustment	(814)	401	-	-
Balance at end of year	26,866	20,379	841	787

Components of deferred tax balance	Accelerated tax depreciation	Others	Total
	$'000	$'000	$'000
The Group			
At 1 January 2020	14,846	5,604	20,450
Arising from revaluation of freehold hotel land	-	(6)	(6)
Credit to profit or loss for the year	(255)	(211)	(466)
Exchange adjustment	-	401	401
At 31 December 2020	14,591	5,788	20,379
Charge (Credit) to profit or loss for the year	7,376	(75)	7,301
Exchange adjustment	-	(814)	(814)
At 31 December 2021	21,967	4,899	26,866

	Accelerated tax depreciation & Others
	$'000
The Company	
At 1 January 2020	1,020
Credit to profit or loss for the year	(233)
At 31 December 2020	787
Charge to profit or loss for the year	54
At 31 December 2021	841

Subsidiaries have unutilised tax losses and capital allowances carryforward of approximately $55.7 million (31 December 2020: $55.4 million) which are available for offset against future taxable profits of the subsidiaries, subject to the approval by the Malaysian and Thailand tax authorities. As at 31 December 2021 and 31 December 2020, no deferred tax asset is recorded as there is no reasonable assurance of the ability to utilise the tax losses in the foreseeable future.

No deferred tax liability has been recognised in respect of undistributed earnings of foreign subsidiaries which would be subject to withholding tax if transferred out of the country. The Group is in a position to control the timing of the transfer of these retained earnings and do not expect the retained earnings to be remitted such as to attract withholding tax in the foreseeable future.

22 CAPITAL AND RESERVES

Share capital

	The Group and the Company			
	2021	2020	2021	2020
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully paid:				
At beginning and end of year	100,800	100,800	150,665	150,665

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

Asset revaluation reserve

The asset revaluation reserve arises from the revaluation of freehold hotel land. On subsequent sale or retirement of a revalued freehold hotel land, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Employee benefit reserve

Employee benefit reserve represents the remeasurement gains and losses arising from Retirement Benefit Schemes for the Group's eligible employees.

Fair value reserve

The fair value reserve represents the fair value changes of the Group's financial assets designated as at FVTOCI.

Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of foreign currency translation reserve.

23 REVENUE

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 *Operating Segments* (see Note 29).

	The Group	
	2021	2020
	$'000	$'000
Hotel operations:		
- Room revenue	13,705	17,412
- Food and beverage revenue	2,256	2,395
- Spa revenue	76	198
- Car park revenue	325	368
Properties investments:		
- Investment properties	7,599	8,217
- Premises within hotels	1,733	1,432
Financial investments:		
- Interest income from investments	-	9
- Dividend income from:		
- Quoted equity investments	265	243
- Unquoted equity investments	95	59
Others	226	285
	26,280	30,618

23 REVENUE (cont'd)

Room revenue, food and beverage revenue, spa revenue, and car park revenue are recorded at a point in time.

As of 31 December 2021, and 31 December 2020, there was no performance obligation that was unsatisfied or partially satisfied, other than performance obligations to be rendered during the remaining period, which generally cover a period of a year.

24 OTHER INCOME

	The Group	
	2021	**2020**
	$'000	**$'000**
Write back of allowance for doubtful receivables	222	18
Write back of prior years' impairment loss on investment properties	96	-
Government grants	1,022	709
Other income	930	274
Gain on disposal of investment properties	9,920	-
Loss on disposal of property, plant and equipment	-	(16)
Bargain purchase gain arising from acquisition of business (Note 34)	8,328	-
	20,518	985

25 FINANCE COSTS

	The Group	
	2021	**2020**
	$'000	**$'000**
Interest expense on bank loans	4,163	2,971

26 LOSS BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges (credits):

	The Group	
	2021	2020
	$'000	$'000
Depreciation expenses		
Depreciation of property, plant and equipment	6,083	6,575
Depreciation of investment properties	1,562	1,212
	7,645	7,787
Staff costs (including directors' remuneration)	7,999	8,968
Cost of defined contribution plans included in staff costs	712	815
Directors' remuneration:		
- Directors of the subsidiaries (key management personnel)	545	523
Proposed directors' fee:		
- Directors of the Company	184	200
- Directors of the subsidiaries (key management personnel)	112	112
Audit fees paid to:		
- Auditors of the Company	235	220
- Other auditors	148	147
Non-audit fees paid to:		
- Auditors of the Company	42	42
- Other auditors	58	-
Impairment loss on property, plant and equipment *	7,209	8,765
(Reversal of) Impairment loss on investment properties *	(96)	3,500
Impairment loss on goodwill *	-	2,007
Loss on disposal of property, plant and equipment *	-	16
Allowance for doubtful receivables *	154	302
Net fair value loss on financial assets at FVTPL *	11	134
Net foreign exchange adjustment loss (gain) *	1,474	330
Fair value (gain) loss on derivative financial instruments *	(196)	196

* Included in other expenses (other income) in the consolidated statement of profit or loss.

27 INCOME TAX EXPENSE

	The Group	
	2021	2020
	$'000	$'000
Current tax	699	1,322
Withholding tax	59	117
Deferred tax	7,376	(255)
	8,134	1,184
Over provision in prior years:		
- current tax	(483)	(230)
- deferred tax	(75)	(211)
	(558)	(441)
Total income tax expense	7,576	743

27 INCOME TAX EXPENSE (cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2020: 17%) to loss before income tax as a result of the following differences:

	The Group	
	2021	**2020**
	$'000	**$'000**
Loss before income tax	(3,358)	(20,101)
Income tax credit at 17% rate	(571)	(3,417)
Difference due to foreign tax rates	(808)	(1,092)
Non deductible items	9,368	5,103
Withholding tax	59	117
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	107	531
Over provision in prior years	(558)	(441)
Tax exemption and rebate	(17)	(52)
Other items	(4)	(6)
Total income tax expense	7,576	743

28 LOSS PER SHARE

Basic loss per share is calculated on the Group loss after tax of $10.934 million (2020: $20.844 million) divided by weighted average number of 100,800,000 (2020: 100,800,000) ordinary shares.

There are no dilutive potential ordinary shares and diluted earnings per share is therefore not applicable to the Group.

29 SEGMENT INFORMATION

Products and services of the Group

The Group is primarily engaged in the following operations:

- Owning and operating hotels and providing ancillary services ("hotel operations").
- Owning and letting out investment properties ("property investments").
- Holding financial investments such as shares, bonds and funds to generate income through interest and dividends, and also for potential capital appreciation ("financial investments").

Definition of operating segments and reportable segments of the Group

For the purpose of reporting to the Group's chief operating decision-maker for resource allocation and assessment of operational performance, the information is organised in the following manner:

- Hotel operations - information is reported on individual hotel basis.
- Property investments - information is reported on individual property basis.
- Financial investments - information is reported on overall performance of the investment portfolio.

The above forms the basis of determining an operating segment of the Group. For the purpose of reporting segment information externally, the following reportable segments are identified:

- Hotel operations
  - Singapore
  - Malaysia
  - Thailand

- Property investments
  - Singapore
  - New Zealand
  - Malaysia

- Financial investments

29 SEGMENT INFORMATION (cont'd)

Definition of operating segments and reportable segments of the Group (cont'd)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profits represent profits earned by each segment without allocation of the finance costs and income tax expense. All assets are allocated to reportable segments except for fixed deposits and income tax recoverable. Segment liabilities represent operating liabilities attributable to each reportable segment. Bank borrowings, deferred tax liabilities and tax liabilities are not allocated. Information regarding the Group's reportable segments is presented below:

I Revenue

	External		Inter-segment		Total	
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Hotel operations						
Singapore	11,545	13,090	-	-	11,545	13,090
Malaysia	4,514	4,166	-	-	4,514	4,166
Thailand	2,262	4,834	-	-	2,262	4,834
	18,321	22,090	-	-	18,321	22,090
Property investments						
Singapore	1,017	1,039	114	108	1,131	1,147
New Zealand	5,829	6,329	-	-	5,829	6,329
Malaysia	753	849	-	-	753	849
	7,599	8,217	114	108	7,713	8,325
Financial investments	360	311	704	473	1,064	784
Segments total	26,280	30,618	818	581	27,098	31,199

II Net (loss) profit

	Total	
	2021	2020
	$'000	$'000
Hotel operations		
Singapore	(355)	1,536
Malaysia	14	(3,030)
Thailand	(9,692)	(11,904)
	(10,033)	(13,398)
Property investments		
Singapore	9,859	(564)
New Zealand	524	(3,082)
Malaysia	639	(178)
	11,022	(3,824)
Financial investments	(184)	92
Segments total	805	(17,130)
Finance costs	(4,163)	(2,971)
Loss before income tax	(3,358)	(20,101)
Income tax expense	(7,576)	(743)
Loss after income tax	(10,934)	(20,844)

29 SEGMENT INFORMATION (cont'd)

Definition of operating segments and reportable segments of the Group (cont'd)

III Segment assets and liabilities

	Segment assets		Segment liabilities	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Hotel operations				
Singapore	448,484	478,809	3,054	3,719
Malaysia	112,113	58,592	2,349	2,498
Thailand	84,464	99,012	1,466	1,121
	645,061	636,413	6,869	7,338
Property investments				
Singapore	25,766	25,636	866	120
New Zealand	78,502	75,660	1,504	1,734
Malaysia	10,664	11,016	-	-
	114,932	112,312	2,370	1,854
Financial investments	31,801	30,240	25	19
Segments total	791,794	778,965	9,264	9,211
Unallocated items	2,352	3,846	223,712	149,782
Consolidated total	794,146	782,811	232,976	158,993

IV Other segment information

	Depreciation		Additions to non-current assets	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Hotel operations				
Singapore	2,869	2,959	794	1,326
Malaysia	1,969	2,057	66,449	1,504
Thailand	1,245	1,559	6	390
	6,083	6,575	67,249	3,220
Property investments				
Singapore	408	406	-	-
New Zealand	979	628	7,048	6,735
Malaysia	175	178	-	-
	1,562	1,212	7,048	6,735
Consolidated total	7,645	7,787	74,297	9,955

29 SEGMENT INFORMATION (cont'd)

Definition of operating segments and reportable segments of the Group (cont'd)

V Geographical information

Information about the Group's revenue and non-current assets by geographical location are described below:

	Revenue from external customers		Non-current assets	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Singapore	12,922	14,440	433,167	479,856
Malaysia	5,268	5,015	153,155	91,060
New Zealand	5,828	6,329	75,240	71,566
Thailand	2,262	4,834	82,864	97,983
	26,280	30,618	744,426	740,465

30 OPERATING LEASE ARRANGEMENTS

The Group and Company as lessor

Operating leases, in which the group is the lessor, relate to investment properties and hotel buildings owned by the Group with lease terms of between 1 to 8 years. The lessee does not have an option to purchase the property at the expiry of the lease period. The unguaranteed residual values do not represent a significant risk for the Group.

Maturity analysis of operating lease receivables:

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Year 1	7,029	7,272	1,472	952
Year 2	4,919	6,426	811	851
Year 3	3,724	5,044	513	840
Year 4	2,709	4,125	-	560
Year 5	1,766	2,873	-	-
Year 6 and onwards	5,441	6,974	-	-
	25,588	32,714	2,796	3,203

31 CONTINGENT LIABILITIES

Guarantees given

The Company is a guarantor for banking facilities totaling $130.0 million (2020: $93.6 million) obtained by subsidiaries. The fair values of the financial guarantee at the end of reporting period is approximately $3.52 million (2020: $2.15 million). The maximum amount that the Company could be obliged to settle in the event that the guarantees are called upon is $107.7 million (2020: $68.1 million) based on facilities used by the subsidiaries at the end of the year.

32 CAPITAL EXPENDITURE COMMITMENTS

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	5,720	9,299	-	-

33 DIVIDENDS

In 2020, the Company declared and paid a first and final tax-exempt dividend of $0.025 per share on the ordinary shares of the Company totaling $2.52 million in respect of the financial year ended 31 December 2019.

Subsequent to 31 December 2021, the directors of the Company recommended that a first and final tax-exempt dividend be paid at $0.025 per ordinary share respectively totaling $2.52 million for the financial year just ended on the ordinary shares of the Company. The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

34 ACQUISITION OF BUSINESS

On 15 March 2019, the Group's wholly owned subsidiary, Every Room a Home Sdn Bhd., entered into a Sale and Purchase Agreement ("Agreement") to acquire Royale Chulan Bukit Bintang Hotel and its business from a third party, for a cash consideration of approximately $65.0 million (RM197.0 million).

The acquisition is an opportunity for the Group to expand its hotel operations in the region. In addition, Royale Chulan Bukit Bintang Hotel, located in one of the prime tourist and hotel belts of Kuala Lumpur city centre, offers potential capital appreciation in future.

A supplemental agreement was signed on 29 December 2020 whereby the vendor reduced the purchase price by 10% (from RM197.0 million to RM177.3 million) and contributed RM3.0 million to repair mechanical and electrical equipment of the Hotel. This was to account for the COVID-19 situation in Malaysia.

Details of the consideration paid, assets acquired, liabilities assumed and the effects on the cash flow of the Group, at the acquisition date, are as follows:

a) Purchase consideration

	2021
	$'000
Cash consideration paid for the acquisition, excluding expenses	56,484

Acquisition-related expenses amounting to $3.986 million are included in "other expenses" in the statement of profit or loss.

b) The net identifiable assets acquired in the transactions are as follows:

	2021
	$'000
Freehold land	33,054
Building	31,758
Total consideration	64,812
Bargain purchase arising from acquisition of business	(8,328)
Total consideration, satisfied by cash, representing net cash outflow on acquisition	56,484

34 ACQUISITION OF BUSINESS (cont'd)

b) The net identifiable assets acquired in the transactions are as follows: (cont'd)

Management is of the view that after assessment, the gain represented a bargain purchase on acquisition, which was primarily due to the fact that the price was negotiated with the seller during the current COVID-19's economic downturn in Malaysia.

Management had ceased the hotel operations on 22 February 2021, in considering the current COVID-19 situation and to also allow the hotel to embark on an extensive upgrading program.

c) Impact on acquisition on the results of the Group

The acquired business did not contribute to the Group's revenue and incurred a net loss before income tax of $0.583 million to the Group for the period between the date of acquisition in February 2021 and the end of the reporting period.

STATISTICS OF SHAREHOLDINGS

as at 1 April 2022

ANALYSIS OF SHAREHOLDINGS AS AT 1 APRIL 2022

Issued and fully paid-up capital	:	S$151,129,496
No. of shares issued	:	100,800,000
Class of shares	:	Ordinary Shares
Voting rights	:	One Vote Per Share
No. of treasury shares and subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Holders	No. of Shares	% of Shares
1 - 99	63	4.89	389	0.00
100 - 1,000	273	21.16	111, 740	0.11
1,001 - 10,000	648	50.23	2,792,816	2.77
10,001 - 1,000,000	295	22.87	20,754,157	20.59
1,000,001 AND ABOVE	11	0.85	77,140,898	76.53
TOTAL	**1,290**	**100.00**	**100,800,000**	**100.00**

PERCENTAGE OF SHAREHOLDING HLED IN THE HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 24.43% of the issued ordinary shares of the Company is held in the hands of the public as at 1 April 2022 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 1 APRIL 2022

No.	Name of Shareholders	No. of Shares	% of Shares
1.	Aik Siew Tong Ltd	24,343,200	24.15
2.	Great Eastern Life Assurance Co Ltd - Participating Fund	11,168,414	11.08
3.	Hock Tart Pte Ltd	10,979,680	10.89
4.	Melodies Limited	9,576,000	9.50
5.	Asia Building Berhad	8,250,480	8.19
6.	Singapore-Johore Express Pte Ltd	4,289,040	4.26
7.	Citibank Nominees Singapore Pte Ltd	3,050,459	3.02
8.	Chan Tai Moy	1,653,500	1.64
9.	Chip Keng Holding Berhad	1,386,000	1.38
10.	GTK Holding Pte Ltd	1,250,100	1.24
11.	DBS Nominees Pte Ltd	1,194,025	1.18
12.	Wee Aik Koon Pte Ltd	991,500	0.98
13.	The Great Eastern Trust Private Limited	889,279	0.88
14.	Hong Leong Finance Nominees Pte Ltd	795,000	0.79
15.	Morph Investments Ltd	762,000	0.76
16.	Season Holdings Pte Ltd	720,960	0.72
17.	OCBC Securities Private Ltd	661,211	0.66
18.	Tan Cheh Tian (Chen Jingzhen)	508,000	0.50
19.	Liu Ping-Nan Phyllis	505,500	0.50
20.	Tan Hock Teng	468,500	0.46
	TOTAL	**83,442,848**	**82.78**

Substantial Shareholders as at 1 April 2022 as shown in the Company's Register of Substantial Shareholders:-

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Lee Chou Hor George (1)	42,000	0.04	12,993,680	12.89
Lee Chou Tart (2)	-	-	12,979,680	12.88
Aik Siew Tong Ltd (3)	24,343,200	24.15	13,865,040	13.76
Hock Tart Pte Ltd (4)	10,979,680	10.89	26,343,200	26.13
The Great Eastern Life Assurance Co Ltd (5)	11,172,446	11.08	-	-
Great Eastern Holdings Limited (6)	-	-	12,065,757	11.97
Oversea-Chinese Banking Corporation Limited (7)	-	-	12,065,757	11.97
Asia Building Bhd (8)	8,250,480	8.19	1,386,000	1.38
Melodies Limited (3)	9,576,000	9.50	-	-
Other Shareholders				
The Singapore-Johore Express (Private) Limited (3)	4,289,040	4.26	-	-
Chip Keng Holding Bhd (8)	1,386,000	1.38	-	-

Note:

(1) Lee Chou Hor George owns 24.84% of the share capital of Hock Tart Pte Ltd ("Hock Tart"). He is deemed interested in the shares held by Hock Tart. Additionally, Lee Chou Hor George is deemed interested in the shares held by his spouse.

(2) Lee Chou Tart owns 24.84% of the share capital of Hock Tart. He is deemed interested in the shares held by Hock Tart.

(3) Aik Siew Tong Ltd ("AST") holds 83.4% and 69.1% of the share capital of Melodies Limited ("Melodies") and The Singapore-Johore Express (Private) Limited ("S-J Express") respectively and is deemed to be interested in the 9,576,000 shares and 4,289,040 shares held by Melodies and S-J Express respectively.

(4) Hock Tart Pte Ltd holds 31.7% of the share capital of AST and is therefore deemed interested in the shares held by AST. Hock Tart is also deemed to have an interest of 2,000,000 shares held by its nominee, Oversea-Chinese Bank Nominees Pte Ltd.

(5) The Great Eastern Life Assurance Co Ltd is the wholly owned subsidiary of Great Eastern Holdings Limited. Great Eastern Holdings Limited is therefore deemed interested in the 11,172,446 shares (of which 4,032 shares are registered in the name of DBS Nominees (Private) Limited).

(6) Great Eastern Holdings Limited is deemed interested in the 12,065,757 shares which made up of 11,172,446 shares as aforementioned; 889,279 shares registered in the name of its subsidiary, The Great Eastern Trust Private Limited; and 4,032 shares registered in the name of DBS Nominees (Private) Limited (for the beneficial interest of The Great Eastern Trust Private Limited).

(7) Oversea-Chinese Banking Corporation Limited is deemed to be interested in the shares held by Great Eastern Life Assurance Company Ltd through Great Eastern Holdings Ltd.

(8) Chip Keng Holding Bhd is the wholly owned subsidiary of Asia Building Bhd. Asia Building Bhd is deemed interested in the 1,386,000 shares held by Chip Keng Holding Bhd.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 53rd Annual General Meeting ("**AGM**") of Hotel Royal Limited will be convened and held by way of electronic means on Saturday, 30 April 2022 at 2.30 p.m. for the following business:-

As Ordinary Business

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2021 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a First and Final Dividend of 2.5 cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2021. (FY2020: 2.5 cents per ordinary share) **(Resolution 2)**

3. To approve the payment of Directors' fees of S$184,400 for the financial year ended 31 December 2021. (FY2020: S$200,400) **(Resolution 3)**

4. To re-elect Mr Yang Wen-Wei who is retiring pursuant to Article 117 of the Company's Constitution, and who, being eligible, offers himself for re-election, as Director of the Company. **(Resolution 4)**
[**See Explanatory Note (i)]**

5. To re-elect Mr Lee Khin Tien who is retiring pursuant to Article 117 of the Company's Constitution, and who, being eligible, offers himself for re-election, as Director of the Company. **(Resolution 5)**
[See Explanatory Note (ii)]

6. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business of an Annual General Meeting of which due notice shall have been given.

As Special Business

To consider and, if thought fit, to pass the following resolutions, with or without amendments, as Ordinary Resolution:

8. **Authority to Issue Shares**

"That, pursuant to Section 161 of the Companies Act 1967 (the "**Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**"), the Directors be authorized and empowered to:

(A) (i) allot and issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
(ii) make or grant offers, agreements, or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time of such issuance of shares.

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (b) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a pro rata basis, then the aggregate number of shares to be issued under such circumstances (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (b) below); and

(b) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

    (i) new shares arising from the conversion or exercise of convertible securities;

    (ii) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

    (iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act, and otherwise, the Constitution for the time being of the Company; and

(d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 7)**
[See Explanatory Note (iii)]

By Order of the Board

Sin Chee Mei
Company Secretary

Singapore,
15 April 2022

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(i) Mr Yang Wen-Wei will, upon re-election as a Director of the Company, remain as a Non-Executive Chairman and Independent Director of the Company as well as Chairman of the Remuneration Committee and Nominating Committee and a member of the Audit and Risk Committee. He is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information on Mr Yang Wen-Wei can be found under the "Board of Directors", "Corporate Governance Report" and "Disclosure of Information on Directors Seeking Re-election" sections in the Company's Annual Report.

(ii) Mr Lee Khin Tien will, upon re-election as a Director of the Company, remain as a Non-Executive and Non-Independent Director of the Company as well as a member of the Audit and Risk Committee, Remuneration Committee and Nominating Committee. Detailed information on Mr Lee Khin Tien can be found under the "Board of Directors", "Corporate Governance Report" and "Disclosure of Information on Directors Seeking Re-election" sections in the Company's Annual Report.

(iii) Ordinary Resolution 7 proposed in item 8 above, if passed, will authorize and empower the Directors from the date of the AGM until the date of the next annual general meeting, to issue further shares and to make or grant convertible securities convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in aggregate fifty per cent (50%) of the total number of issued shares including treasury shares and subsidiary holdings of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting of the Company or by the date which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

NOTES:

1. To minimize physical interactions and COVID-19 transmission risks, the AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Company will not accept any physical attendance by members.

   Printed copies of this Notice of AGM and the accompanying Annual Report and Proxy Form will not be sent to members of the Company. Instead, these documents will be made available to members of the Company by electronic means via publication on the Company's corporate website at http://hotelroyal.listedcompany.com/home.html and on the SGXNET at https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast and live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions at, or prior to, the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 15 April 2022, which has been uploaded together with the Notice of AGM on SGXNET on the same day. The announcement may also be assessed at the Company's website at http://hotelroyal.listedcompany.com/home.html. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of this Notice of AGM in respect of the meeting.

3. Members will be able to watch the AGM proceedings through a live audio-visual webcast via mobile phones, tablets, computers or listen to these proceedings through a live audio-only stream via telephone. In order to do so, members, must pre-register online via the link at https://online.meetings.vision/hotelroyal-agm-registration by 2:30 p.m. on 27 April 2022 (the "**Registration Deadline**") (being not less than 72 hours before the time appointed for holding the AGM) to enable the Company to verify their members' status.

   Following the verification and upon the closure of pre-registration, authenticated members will receive email instructions to access the live audio-visual webcast and live audio-only stream of the AGM proceedings ("**Confirmation Email**") by 2:30 p.m. on 29 April 2022. Members who have pre-registered for the live audio-visual webcast or live audio-only stream but who have not received the Confirmation Email by 2:30 p.m. on 29 April 2022 may contact the Company's share registrar, B.A.C.S. Private Limited at (65) 6593 4848 or email to main@zicoholdings.com.

   Members are reminded that the AGM proceedings are private. Accordingly, members must not forward the Confirmation Email to other persons who are not members and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the live audio-visual webcast and live audio-only stream.

   Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, 1967 of Singapore) (including investors who buy shares using Central Provident Fund ("**CPF**") and/or Supplementary Retirement Scheme ("**SRS**") monies) and who wish to participate in the AGM should contact their respective relevant intermediaries (including CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

4. Members (whether individual or corporate) will not be able to vote online through the live audio-visual webcast or the live audio-only stream on the resolutions to be tabled for approval at the AGM. Members who wish to exercise their votes must submit a Proxy Form to appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, members of the Company must give specific instructions as to voting, or abstentions from voting, in the Proxy Form, failing which the appointment will be treated as invalid.

5. The Chairman of the Meeting, as proxy, need not be a member of the Company.

6. The Proxy Form appointing the Chairman of the Meeting as a proxy, together with the power of attorney or other authority, if any, under which it is signed (if applicable) or notarially certified copy of that power of attorney or other authority, must be submitted:

   (i) by email to the Company's Share Registrar, B.A.C.S. Private Limited at main@zicoholdings.com; or

   (i) by post to the registered office of the Company at Hotel Royal Limited, 36 Newton Road, Singapore 307964,

   A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In either case, by 2:30 p.m. on 27 April 2022 (being not less than seventy-two (72) hours before the time appointed for holding the AGM) (or any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act), including CPF and SRS Investors, who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their respective relevant intermediaries (which would include CPF Agent Banks and SRS Operators) through which they hold such shares in order to submit their voting instructions at least seven (7) working days before the AGM in order to allow sufficient time for their respective intermediaries to in turn submit a Proxy Form to appoint the Chairman of the Meeting to vote on their behalf by 2:30 p.m. on 27 April 2022.

7. Members will not be able to raise questions at the AGM during the live audio-visual webcast or the live audio-only stream. Members may submit questions relating to the items on the resolutions set out in the Notice of the AGM in advance:

   (i) by email to the Company at ir@hotelroyal.com.sg; or
   (ii) by post to the registered office of the Company at Hotel Royal Limited, 36 Newton Road, Singapore 307964

   All questions must be submitted by 5:00 p.m. on 22 April 2022 (the "**Cut-off Time**").

   Members, who wish to submit their questions are required to indicate their full names (for individuals)/company names (for corporations), NRIC/passport number/company registration numbers, contact numbers, shareholding types and number of shares held together with their submission of questions.

   Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act) (including CPF and SRS Investors) should contact their respective relevant intermediaries through which they hold such shares to submit their questions related to the resolutions to be tabled for approval at the AGM based on the abovementioned instructions.

   The Company will address substantial questions relevant to the resolution to be tabled for approval at the AGM as received from shareholders by way of an announcement released on SGXNET soonest possible and in any case, not later than 48 hours before the closing date and time for the lodgement of proxy forms. The minutes of the AGM will be published on the SGXNET and the Company's website within one (1) month after the date of the AGM.

IMPORTANT NOTICE

Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGXNET. Members are advised to check the SGXNET regularly for updates on the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via live audio-visual webcast and the live audio-only stream, or (c) submitting any question prior to the AGM, 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) for the purpose of the processing and administration by the Company (or its agents) or proxy forms appointing the Chairman of the Meeting as proxy of the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to observe the proceedings of the AGM via live audio-visual webcast and/or the live audio-only stream and providing any technical assistance where necessary, addressing relevant and substantial questions from members received before and/or during the AGM and if necessary, following up with the relevant members in relation to such questions and enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities (collectively, the "**Purposes**"); Photographic, sound, and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of the member of the Company (such as his/her name, his/her presence at the AGM and any questions he/she may raise or motions he/she propose/second) may be recorded by the Company for such Purposes.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Yang Wen-Wei and Mr Lee Khin Tien are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened and held on 30 April 2022 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR YANG WEN-WEI	MR LEE KHIN TIEN
Date of Appointment	28 April 2018	31 December 1996
Date of last re-appointment (if applicable)	27 April 2019	27 June 2020
Age	50	70
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Yang Wen-Wei for re- appointment as Non-Executive and Independent Director of the Company. The Board has reviewed and concluded that Mr Yang Wen-Wei possesses the experience, expertise, knowledge and skills to continue contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Lee Khin Tien for re-appointment as Non-Executive and Non-Independent Director of the Company. The Board has reviewed and concluded that Mr Lee Khin Tien possesses the experience, expertise, knowledge and skills to continue contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g.) Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Chairman, Chairman of Remuneration Committee and NC and a member of Audit and Risk Committee	Non-Executive Director and a member of the Audit and Risk Committee, Remuneration Committee and NC
Professional qualifications	Master of Science, Electrical Engineering (Wireless Engineering) from Northeastern University, Boston, MA, USA	Bachelor of Science (Biology) from the Nanyang University

	MR YANG WEN-WEI	MR LEE KHIN TIEN
Working experience and occupation(s) during the past 10 years	2018 – Present : Executive Operating Officer, Merdeka Construction Company Pte. Ltd. 2011 - 2017 : Founder & Business Owner, Kapstone Asia Pte Ltd	Director of Aik Siew Tong Limited, Melodies Limited and Singapore-Johore Express (Private) Limited with businesses ranging from real estate, bus transportation and plantation
Shareholding interest in the listed issuer and its subsidiaries	No	Direct Interest: 282,400 ordinary Shares Deemed Interest: Nil ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries.	No	Brother of Mr Lee Kin Hong, the Non-Executive and Non-Independent Director. Uncle of Dr Lee Chu Muk, the Non-Executive and Non-Independent Director, Mr Lee Chou Hock, the Chief Executive Officer, Mr Lee Chou Hor George, the Non-Executive and Non-Independent Director and Mr Lee Chou Tart, the substantial shareholder of the Company.
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships Past (for the last 5 years)	Present: Executive Operating Officer of Merdeka Construction Company Pte. Ltd. Past Directorship: Kapstone Asia Pte Ltd	Present Directorship: 1) Aik Siew Tong Limited 2) The Singapore-Johore Express (Private) Limited, 3) Melodies Limited Past Directorship : Nil

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		MR YANG WEN-WEI	MR LEE KHIN TIEN
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
a)	Whether at any time during the last 10 years, an application or petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or any time within 2 years from the date he ceased to be a partner?	No	No
b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or whether that entity is the trustee of a business trust, that business trust, on the group of insolvency?	No	No
c)	Whether there is any unsatisfied judgement against him?	No	No
d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud of dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f)	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law of regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation of dishonesty on his part?	No	No

		MR YANG WEN-WEI	MR LEE KHIN TIEN
g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

This page has been intentionally left blank.

Hotel Royal 京华

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

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT
1. To minimize physical interactions and COVID-19 transmission risks, members will not be able to attend the AGM in person, members must appoint the Chairman of the Meeting as their proxy to attend, speak and vote on their behalf at the AGM if such members wish to exercise their voting rights at the AGM.
2. Alternative arrangements relating to attendance at the AGM via electronic means, submission of questions in advance of the AGM, addressing of substantial and relevant questions and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in this Notice of AGM.
3. Please read the notes to the proxy form which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her behalf at the AGM.

I/We*, ______________________ (Name), NRIC/Passport/Registration No. ______________ of

____ (Address)

being a member/members* of **HOTEL ROYAL LIMITED** (the "**Company**") hereby appoint Chairman of the Meeting, as my/our* proxy, to attend and vote for me/us* or my/our* behalf, by poll, at the Annual General Meeting ("**AGM**") of the Company to be convened and held via electronic means on Saturday, 30 April 2022 at 2.30 p.m. and at any adjournment thereof.

I/We* direct my/our* proxy to vote for or against, or to abstain from voting the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at AGM and at any adjournment thereof, the appointment of the Chairman of the Meeting as my/our* proxy will be treated as invalid.

No.	Resolutions	For	Against	Abstain
1.	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 31 December 2021			
2.	Declaration of First and Final Dividend			
3.	Approval of payment of Directors' Fees			
4.	Re-election of Mr Yang Wen-Wei as Director			
5.	Re-election of Mr Lee Khin Tien as Director			
6.	Re-appointment of Messrs Deloitte & Touche LLP as the Auditors and authorise the Directors to fix their remuneration			
7.	Authority to Issue Shares			

** Delete where inapplicable*

NOTES: All Resolutions put to vote at the AGM shall be decided by way of poll. If you wish the Chairman of the Meeting as your proxy to exercise all your votes "For" or "Against" or "Abstain" the relevant resolution, please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy, who is the Chairman of the Meeting, not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

Dated this ________ day of ______________ 2022

Total Number of Shares held in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/
and, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. This proxy Form must be read in conjunction with the Company's announcement dated 15 April 2022. This Proxy Form may be accessed at the Company's website at http://hotelroyal.listedcompany.com/home.html and will also be made available on SGXNET. A printed copy of this Proxy Form will not be despatched to members.

2. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

3. To minimise physical interactions and COVID-19 transmission risks, members will not be able to attend the AGM in person. Members (whether individual or corporate) must appoint the Chairman of the Meeting as their proxy to attend, speak and vote on their behalf at the AGM if such members wishes to exercise their voting rights at the AGM. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in this Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

4. The Chairman of the Meeting, being a proxy, need not be a member of the Company.

5. The instrument appointing the Chairman of the Meeting as a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must be submitted:

   (i) by email, be received by the Company's Share Registrar, B.A.C.S. Private Limited at main@zicoholdings.com; or
   (ii) by post, be lodged at the Registered Office of the Company at Hotel Royal Limited, 36 Newton Road, Singapore 307964

   in either case, by 2:30 p.m. on 27 April 2022, being not less than seventy-two (72) hours before the time appointed for holding the AGM (or any adjournment thereof) and in default the instrument of proxy shall not treated as valid.

6. The instrument appointing the Chairman of the Meeting as a proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing Chairman of the Meeting as a proxy is executed by a corporation, it must be executed either under its seal or under the hand of its attorney or a duly authorised officer. The dispensation of the use of common seal pursuant to the Companies Act 1967 of Singapore effective from 30 March 2017 is applicable at this AGM.

7. A corporation which is a member may authorize by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act 1967 of Singapore.

8. For investors who hold Shares in the capital of the Company under Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") Investors, this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF and SRS Investors who wish to appoint the Chairman of the Meeting to act as their proxy should approach their respective relevant intermediaries, CPF Agent Banks or SRS Operators to submit their votes at least seven (7) workings days before the AGM.

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

PERSONAL DATA PRIVACY

By submitting this Proxy Form to appoint the Chairman of the Meeting as a proxy to vote at AGM and/or any adjournment thereof, member of the Company is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting of the Company dated 15 April 2022.

Hotel Royal Limited

36 Newton Road Singapore 307964
Fax : +65 6253 8668
Phone : +65 6426 0168
Email : royal@hotelroyal.com.sg
ir@hotelroyal.com.sg
Company Reg. No. 196800298G