ROYAL FLAVOURS

HOTEL ROYAL LIMITED
ANNUAL REPORT 2017

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Lee Keng Thon
Non-Executive Chairman
COL (Ret) Rodney How Seen Shing
Lead Independent Non-Executive Director
Prof. Pang Eng Fong
Independent Non-Executive Director
Dr Tan Kim Song
Independent Non-Executive Director
Mr Lee Khin Tien
Non-Executive Director
Mr Lee Kin Hong
Non-Executive Director

AUDIT AND RISK COMMITTEE

Prof. Pang Eng Fong *(Chairman)*
COL (Ret) Rodney How Seen Shing
Dr Tan Kim Song
Mr Lee Khin Tien

REMUNERATION COMMITTEE

Dr Tan Kim Song *(Chairman)*
COL (Ret) Rodney How Seen Shing
Prof. Pang Eng Fong
Mr Lee Khin Tien

NOMINATING COMMITTEE

COL (Ret) Rodney How Seen Shing *(Chairman)*
Prof. Pang Eng Fong
Dr Tan Kim Song
Mr Lee Khin Tien

COMPANY SECRETARY

Sin Chee Mei (Ms)
Wong Siew Choo (Mrs)

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road
#03-00
ASO Building
Singapore 048544
Tel : (65) 6593 4848
Fax : (65) 6593 4847
Email : main@bacs.com.sg

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 Michael Ng Wee Kiat
Appointed in 2017

PRINCIPAL BANKERS

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

INVESTOR RELATIONS

Mr Lee Chou Hock
chlee@hotelroyal.com.sg

ROYAL FLAVOURS

Our hotels, located in Singapore, Kuala Lumpur, Penang, Melaka, Phuket and Bangkok, are strategically positioned in the melting pot of cultures and flavours that make each city a unique and memorable travel destination. Coupled with our distinctive CARE™ hospitality, which is motivated by our passion to make every guest feel at home, wherever they are, we hope that comfort food will have a new meaning for each of our guests.

CORPORATE PROFILE

Listed on the Mainboard of the Singapore Exchange in 1968, Hotel Royal Limited owns a total of 7 hotels in Singapore, Malaysia and Thailand:

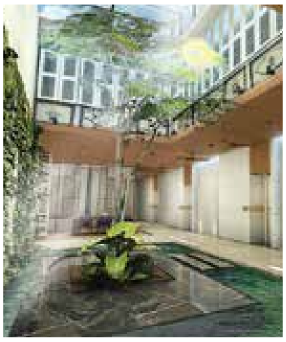
- **Hotel Royal**
  Singapore
- **Hotel Royal @ Queens**
  Singapore
- **Hotel Royal Kuala Lumpur**
  Kuala Lumpur, Malaysia
- **Hotel Royal Penang**
  Penang, Malaysia
- **The Baba House**
  Melaka, Malaysia
- **Hotel Royal Bangkok @ Chinatown**
  Bangkok,Thailand
- **Burasari Resort**
  Phuket, Thailand

It also owns Grand Complex, a prime commercial complex in the central business district of Wellington, New Zealand, which has approximately 263,000 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 97-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.








BAK KUT TEH

Succulent pork ribs in peppery or herbal broth, Bak Kut Teh is a perennial favourite at our Singapore hotels. Literally translated as “meat bone tea”, Bak Kut Teh is traditionally served with Chinese tea in the belief that tea will help cut through the richness of the ribs. A true comfort food!

GROUP'S MAJOR PROPERTIES

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 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 No. 121, 123, 125,127 Jalan Tun Tan Cheng Lock Melaka	Land area of about 1,984 sq m of which 84% is freehold Hotel building with built-up area of approximately 3,926 sq m	97	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	**1,730**		
INVESTMENT PROPERTIES					
Singapore	Royal 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	91.63%
	No.20 Maxwell Road #12-02 Maxwell House	Office unit Strata floor area of about 551 sq m		99 years (from 1969)	100%
	#05-14 Kapo Factory Building	Flatted factory unit Strata floor area of about 157 sq m		Freehold	100%
	#02-14, #06-02, #07-02 and #09-08 Tong Lee Building	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 6,898 sq m Shopping centre and offices with lettable retail area of 4,431 sq m; lettable office area of 20,028 sq m and 323 carpark lots		Freehold	100%

Hotel Royal Kuala Lumpur


The Baba House *Artist's impression*


Burasari Resort


Royal Residences


Hotel Royal@Queens

Hotel Royal Penang

Hotel Royal Bangkok@Chinatown

GROUP'S FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013
For the year ($'000)					
Revenue	61,483	58,704	57,280	56,687	51,208
Earnings before Interest, Taxation, Depreciation and Amortization (EBITDA)	24,721	24,457	19,488	24,747	21,702
Gross Profit	31,157	30,888	29,187	30,004	26,001
Net Profit attributable to Owners of the Company	7,571	7,735	2,893	11,178	9,642
Finance Costs	(4,498)	(4,644)	(5,124)	(3,627)	(3,003)
Cash from Operating Activities	17,813	13,262	17,501	14,709	15,132
Capital Expenditure	10,116	5,718	14,022	24,549	10,165
At year end ($'000)					
Total Assets	744,863	725,891	724,041	725,750	629,946
Total Liabilities	186,529	183,024	188,569	187,810	122,071
Total Equity	558,334	542,867	535,472	537,940	507,875
Cash and Bank Balances	18,328	14,721	17,037	17,834	20,100
Property, Plant & Equipment	605,718	590,216	588,808	577,840	485,494
Investment Properties	91,222	94,390	93,492	97,310	96,687
Total Borrowings	152,771	151,705	157,193	154,839	93,910
Asset Revaluation Reserve	364,577	354,185	352,360	339,497	317,502
Financial Ratios					
Revenue Growth (%)	4.73	2.49	1.05	10.70	(2.54)
Net Profit Growth (%)	(2.12)	167.37	(74.12)	15.93	(29.85)
Adjusted Net Assets Value (ANAV)($'million)[(2)]	708.12	704.87	691.10	701.57	659.86
Debt to ANAV (times)	0.22	0.22	0.23	0.22	0.14
Per Share Information					
Earnings per Share (cents) before Income Tax [(1)]	13.33	13.01	6.71	16.98	15.87
Earnings per Share (cents) after Income Tax [(1)]	9.01	9.21	3.44	13.31	11.48
Net Assets Value (NAV) per Share ($)	6.65	6.46	6.37	6.40	6.05
Adjusted Net Assets Value (ANAV) per Share ($)[(2)]	8.43	8.39	8.23	8.35	7.86
Dividend per Share - Ordinary Shares ($)	0.05	0.05	0.05	0.05	0.05
Market capitalisation ($'million) at year end	338.52	314.16	284.76	319.20	264.60

(1) The weighted average number of ordinary shares is 84,000,000 for 2013 to 2017.
(2) The revaluation surplus (net of tax effect) arising from freehold and leasehold land and hotel buildings have been included in determining the Adjusted Net Assets Value.

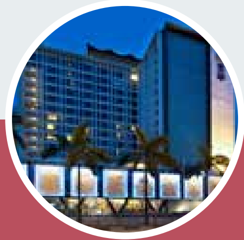
VALUE-ADDED STATEMENT

	2017 $'000	2016 $'000
Revenue earned	61,483	58,704
Less: cost of sales	(30,326)	(27,816)
Gross value-added from operations	**31,157**	**30,888**
Other income	1,335	1,557
Other expenses	(2,933)	(2,492)
Net foreign exchange adjustment gain (loss)	157	271
Total value-added	**29,716**	**30,224**
Distribution:		
To employees in salaries and other related costs	16,114	14,262
To government in corporate and other taxes	3,629	3,191
To providers of capital:		
- Interest paid on borrowing from banks	4,498	4,644
Retained for re-investment and future growth		
- Depreciation and amortisation	9,023	8,887
- Accumulated (losses) profits	(4,299)	168
Non-production costs and income:		
- Allowance for doubtful receivables	77	84
- Bad debt expense	33	-
- Write back of allowance for doubtful receivables	(150)	(183)
- Impairment loss on available-for-sale investments	16	254
- Impairment loss on leasehold land and building	775	-
- Allowance for diminution in value of unquoted investment	-	15
- Reversal of impairment loss on investment property	-	(285)
- Reversal of impairment loss on hotel building	-	(813)
Total distribution	**29,716**	**30,224**
PRODUCTIVITY DATA		
Number of employees	815	772
Value-added per employee ($'000)	36.46	39.15
Value-added per $ of employee cost	1.84	2.12
Value-added per $ revenue earned	0.48	0.51
Value-added per $ of investment in investment properties, property, plant and equipment	0.04	0.04

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 at Bangkok, Thailand

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

2014

Acquired Burasari Resort in Phuket, Thailand

2015

Acquired The Baba House at Melaka, Malaysia

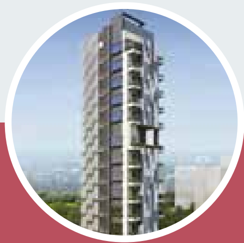
1995

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

2004

Purchased Dapenso Building at 158 Cecil Street Singapore

Purchased Hotel Royal @Queens at Queen Street Singapore



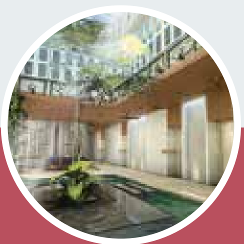
2007

Disposal of Dapenso Building at Cecil Street Singapore

Acquired Star Mansion at 1A Surrey Road Singapore

2008

Purchased Hotel Royal Penang and Penang Plaza at Penang, Malaysia



2017

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

CENDOL

A rich, creamy coconut milk drink with oodles of green jelly-like, pandan-flavoured noodles with sweet red beans, with lashings of dark brown, palm sugar syrup (known locally as gula melaka). A favourite amongst our guests in our hotels in Singapore and Malaysia.

CHAIRMAN'S MESSAGE

We continue to be determined to meet business challenges with optimism and resilience, believing that our commitment to deliver excellent services and products will help us stay ahead of the game.

Dear Shareholders,

In spite of an increasingly competitive environment in the hospitality industry, exacerbated by the growth in new capacity particularly in the Singapore market, the Group managed to turn in a creditable set of results for FY2017.

Net profit attributable to shareholders decreased slightly by 2.1% to $7.6 million on the back of a 4.7% rise in Group revenue to $61.5 million. In the 12 months to 31 December 2017, the Group achieved earnings per share of 9.01 cents, down from 9.21 cents a year earlier, while net asset value per share rose to $6.65.

In FY2017, the Group recognised an impairment loss on leasehold land and building for Baba House amounting to $0.78 million whereas in FY2016, it had a write back of prior years' impairment loss in investment property and hotel building of $1.1 million. If we adjusted our net profit attributable to shareholder for these, the profitability would increase by about $1.7 million or 25.7%. Hence, profitability from operations had improved substantially.

Operational profitability was largely due to a boost in room occupancy, food and beverage and spa sales generated by our hotels in Thailand, especially Hotel Royal Bangkok @ Chinatown. However, lower contributions by our hotels in Singapore and Malaysia from the downward adjustments of room rates and lower room occupancy dampened the gain in overall revenue. Looking ahead, our hotels in Kuala Lumpur and Bangkok are expected to perform better when the subway stations located close to the properties are fully operational.

In the broader market, the hospitality industry in the region continued to be fuelled by the continued strong regional demand for travel, in our core markets of Singapore, Malaysia and Thailand.

Singapore's tourism industry continued to benefit from the growth in arrivals, with a total of 17.4 million visitors, up by 6%, largely due to the boost in travelers from China, thanks to the Singapore Tourism Board (STB)'s efforts in reaching to more second tier cities there, as well as Indonesia. In 2018, the outlook is for continued tourism growth in the Asia Pacific region, and STB forecasts international visitor arrivals to grow to between 17.6 million to 18.1 million travellers.

The Group's other market – Thailand – has also seen an upsurge in tourist arrivals. Thailand welcomed its 35 millionth visitor to the Kingdom on 29 December 2017, far exceeding its forecast for the year. This was the result of its aggressive tourism marketing initiatives that focused on Thai local experiences such as Thai gastronomy, arts and crafts, nature and beaches, culture, and way of life.

According to Tourism Malaysia, tourist arrivals to Malaysia in 2017 declined slightly by 3% year-on-year to approximately 26 million. However, its Visit Malaysia 2020 campaign is expected to bring in 33.1 million tourists in 2018.

DIVIDEND

The Directors are pleased to recommend a one-tier tax-exempt first and final dividend of 5 cents per ordinary share – amounting to $4.2 million in dividend payout – for your approval at the upcoming Annual General Meeting to be held on 28 April 2018. If approved, the proposed dividend will be paid out at a date to be announced later.

Sustainability Reporting

The Group believes in our larger responsibility to ensure sustainable outcomes for all of our stakeholders by aligning our long-term business strategies with the priorities of the economic, environmental and social well-being of the communities that we operate in. In so doing, we strive to balance commercial viability with sustainability for future generations.

Our full Sustainability Report for FY2016 was posted on our website as well as SGX website on 1 November 2017. We are working on our Sustainability Report for FY2017 and will have it posted by end of 2018. In the meantime, we have published an introduction

to this report on Page 34 of this annual report.

Looking Ahead

The hospitality industry, in our core markets of Singapore, Malaysia and Thailand, will continue to be highly competitive although the growth in new capacity in Singapore is expected to taper off in 2018. Malaysia's tourism tax, which was introduced in 2017, may have been a dampener to tourism growth, but we expect the situation to stabilise in the mid to longer term. The Thai market continues to be buoyant against a backdrop of political stability.

In these markets, we continue with our strategy of expanding customer base and market share by competitive pricing and ensuring that our hotel assets are progressively updated.

The redevelopment of Baba House in Melaka is well underway. Acquired in 2015, the heritage property, which sits on a land area of 1,984 square metres, has a built-up area of about 3,926 square metres. After the redevelopment project, phase 1 of the Baba House will be repositioned with a total of 102 modern guest rooms that exude an old-world charm, and a roof-top swimming pool. An internal courtyard will be added so that all guest rooms will have a window and a view of the greenery. We are expecting the first phase of the new Baba House to complete by 2019. Concurrently, we are in the process of submitting plans for Phase 2 of the refurbishment which will add another 80 guest rooms when Baba Mansion is integrated with the new Baba House.

Going forward, the Group will also prudently manage our passive income by actively upgrading our investment properties, such as those in New Zealand, so as to maximise our rental income. In addition, our managed fund portfolio also helps to diversify our investment portfolio, however, it may be affected by economic and geopolitical uncertainties.

The Group's financial position is healthy with net assets as at 31 December 2017 amounting to approximately $558.3 million, and with net gearing ratio maintaining at around the 22% of adjusted net assets value.

Appreciation

We continue to be determined to meet business challenges with optimism and resilience, believing that our commitment to deliver excellent services and products will help us stay ahead of the game.

To do this well, we need, more than ever, to be a formidable team. First of all, I would like to thank all of our Directors on the Board for being so supportive and insightful as we put our heads together to drive the Group towards higher growth and shareholder value. Next, to all our management and staff – thank you for being on the front line, continually delivering excellent service and upholding our brand. I would also like to express my appreciation to all of our stakeholders – shareholders, customers, and business partners – for your continued support to the Group.

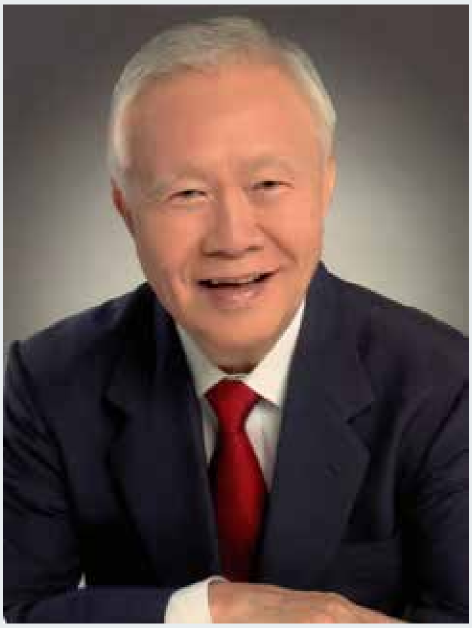
May I wish you all the very best in 2018!

Dr Lee Keng Thon
Chairman

23 March 2018

A Tribute to Mr Lee Chin Chuan, PBM
Founder and Group Advisor
1932 - 2018

A founder of the Hotel Royal Group, Mr Lee Chin Chuan PBM was appointed to the Board of Directors on 10 July 1968 and had held the positions of Managing Director and Executive Chairman of the Group during his tenure until he retired as a director on 29 April 2006.



He served as Group Advisor till 16 January 2018 when he passed away.

Under Mr Lee's leadership, the Hotel Royal Group began with a single hotel of 321 rooms, with about $10 million in shareholders' equity. Today, the Group has grown to $558 million in shareholders' equity, a total asset base of $745 million and a room inventory of 1,730 in three countries.

Mr Lee sat on the boards of many companies, including Aik Siew Tong Limited, Melodies Limited and Singapore-Johore Express (Private) Limited with businesses ranging from real estate, plantation and transportation.

A veteran in the real estate industry since 1954, he was an Honorary Patron of the Real Estate Developers Association of Singapore. He was also the Honorary Council Member of the Singapore Chinese Chamber of Commerce and Industry and Honorary Chairman of Singapore Lee Clan Association and Singapore Hin Ann Huay Kuan.

He was also an active member of Singapore Thong Chai Medical Institution.

A strong believer in education, he supported his alma mater Chung Cheng High School and Hong Wen Primary School.

BOARD OF DIRECTORS

DR LEE KENG THON, 74

Dr Lee Keng Thon was appointed to the Board of Directors on 8 September 1971. He was last re-appointed as a director on 30 April 2016 and was appointed the Chairman of the Company on 29 April 2006.

Dr Lee is a director of Aik Siew Tong Limited, Melodies Limited and Singapore-Johore Express (Private) Limited with businesses in real estate, bus transportation and plantation. He is medical graduate from University of Sydney with a private medical practice.

COLONEL (RET) HOW SEEN SHING RODNEY, 75

COL How was first appointed to the Board on 26 Feb 1986 and is currently the Lead Independent Director, Chairman of the Nominating Committee, and Member of both the Audit and Risk, and the Remuneration Committee. He was last re-appointed as a director on 30 April 2016.

COL How graduated from Sydney University with a BA (Public Administration). He previously served in the Singapore Armed Forces as the Commander of Central Manpower Base (CMPB), Director of Employment Department, Financial Secretary of SAFRA, Brigade Commander, and Assistant Chief of The General Staff (Intelligence).

He was also previously on the Advisory Council on Community Relations in Defence (ACCORD),and Board member of the International Ship Suppliers Association (ISSA), and President of Singapore Association of Ship Suppliers.

MR LEE KIN HONG, 64

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 30 April 2016.

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.

PROFESSOR PANG ENG FONG, 74

Professor Pang Eng Fong was appointed to the Board of Directors on 5 December 2011 and is the Chairman of Audit and Risk Committee and a member of the Nominating and Remuneration Committees. He was last re-elected as a director on 30 April 2016.

He is a professor of strategic management (practice) in the Lee Kong Chian School of Business, Singapore Management University. He served as the dean of the School from 2006 to 2008.

He graduated in economics from the University of Singapore and holds a Ph.D from University of Illinois. He has been a visiting professor at Columbia University as well as the University of Michigan. He has also served as Singapore's ambassador/high commissioner in Seoul, Brussels and London.

DR TAN KIM SONG, 57

Associate Professor Tan Kim Song was appointed to the Board of Directors on 2 March 2015. 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 was last re-appointed as a director on 29 April 2017.

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 KHIN TIEN, 66

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 Committees. He was last re-elected as a director on 29 April 2017.

Mr Lee Kin Tien is a director of Aik Siew Tong Limited, Melodies Limited and Singapore-Johore Express (Private) Limited with businesses ranging from real estate, bus transportation and plantation. He has more than 30 years of experience in real estate and plantation business. He graduated from Nanyang University with a Bachelor of Science (Biology).

Clockwise from bottom right:
Professor Pang Eng Fong, Dr Lee Keng Thon, COL (Ret) How Seen Shing, Mr Lee Kin Hong, Dr Tan Kim Song and Mr Lee Khin Tien

SENIOR MANAGEMENT

LEE CHIN CHUAN
ADVISER

Mr Lee Chin Chuan was appointed to the Board of Directors on 10 July 1968 and had held the position of Managing Director, Chairman and Executive Chairman of the Group until his retirement as a director on 29 April 2006. He was appointed as the Group Advisor on 29 April 2006. Lee Chin Chuan PBM is also the founder of the Company and sat on the board of many companies including Aik Siew Tong Limited, Melodies Limited and Singapore-Johore Express (Private) Limited with businesses ranging from real estate, plantation and bus transportation. He has been in the real estate business since 1954 and has been appointed as the Hon. Patron of Real Estate Developers Association of Singapore. He is also currently the Hon. Council Member of Singapore Chinese Chamber of Commerce and Industry and Hon. Chairman of Singapore Lee Clan Association and Singapore Hin Ann Huay Kuan.

Me Lee Chin Chuan was the founder of the Hotel Royal Group. He passed away on 16 January 2018.

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.

MR. LUKAS GERBER
GENERAL MANAGER
Burasari Resort, Phuket

Mr Lukas Gerber joined Burasari Resort as its General Manager in 2011.

Lukas has a strong background in food and beverage, with extensive experience in managing resort properties in Thailand.

He graduated from the hotel management school of Belvoirpark, Zurich as well as a Diploma in Management from NBW Zurich in Switzerland.

LEE CHU BING
GENERAL MANAGER
Hotel Royal @ Queens

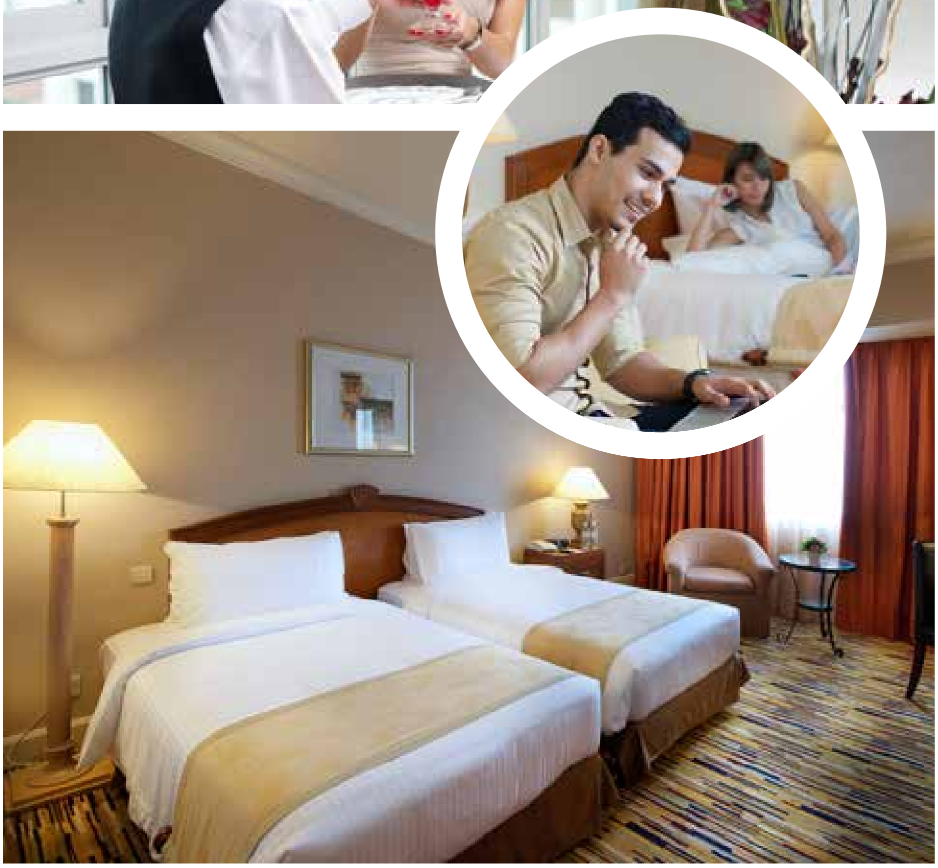
Mr Lee Chu Bing joined the Group in 2004 in the Sales & Marketing Department and also assisted in the leasing of the Group's investment properties. He was appointed the General Manager of Hotel Royal @ Queens (Singapore) Pte Ltd in April 2007. He holds a Bachelor of Arts from the National University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

WONG SIEW CHOO
GROUP REVENUE CONTROLLER

Mrs Wong Siew Choo is responsible for the treasury functions and credit control of the Group. She joined the Group in 1973. Prior to joining the Group, she had accumulated experiences in accounting and purchasing.






PAD THAI

The quintessential Thai street food! A stir-fried rice noodle dish enriched with seafood, meat, crunchy greens, bean sprouts and egg, laced with a sweet/piquant sauce made of tamarind, fish sauce, dried shrimps, garlic and chilli. Served with a wedge of lime and a generous sprinkling of crushed peanuts.
A signature dish at our hotels in Bangkok and Phuket.

OPERATIONS AND FINANCIAL REVIEW

Hotel Royal Group is primarily engaged in the following business activities:

A) HOTEL OPERATIONS

The Group owns and operates hotels, as well as provides food & beverage services. It started with its flagship hotel in Singapore, and today has hotels in Penang, Kuala Lumpur and Melaka in Malaysia, as well as Bangkok and Phuket in Thailand. Its Melaka hotel – The Baba House – is currently undergoing major refurbishment.

B) PROPERTY INVESTMENT

The Group also owns investment properties in Singapore, Malaysia and New Zealand for rental income.

C) FINANCIAL INVESTMENT

It also holds financial investments such as shares, bonds, funds and other products, to generate a stable stream of income through interest and dividends, and also for potential capital appreciation.

Consolidated Statement of Profit or Loss (extract)
Year ended 31 December 2017

	2017 $'000	2016 $'000	Change %
Revenue			
Hotel Segment	51,390	48,546	5.9
Properties Segment	9,578	9,645	(0.7)
Investment Segment	515	513	0.4
Total revenue	**61,483**	**58,704**	**4.7**
Less: Cost of sales	(30,326)	(27,816)	9.0
Gross profit	**31,157**	**30,888**	**0.9**
Less: Operating expenses	(14,018)	(14,654)	(4.3)
Add: Other income	1,941	1,985	(2.2)
Less: Other expenses	(3,382)	(2,649)	27.7
Less: Finance costs	(4,498)	(4,644)	(3.1)
Profit before income tax	**11,200**	**10,926**	**2.5**
Less: Income tax expense	(3,629)	(3,191)	13.7
Profit for the year attributable to owners of the Company	**7,571**	**7,735**	**(2.1)**

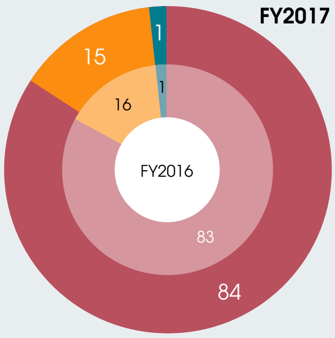
REVENUE

The Group derives its revenue mainly from the sales from rooms, food and beverage, rental income from investment properties, and income from financial investments.

In FY2017, higher revenue from rooms and food and beverage at Hotel Royal Bangkok @ Chinatown boosted the Group's revenue by 4.7% to \$61.5 million. In addition, higher occupancy at its New Zealand properties uplifted rental income from investment properties by 3.8% to \$7.3 million.

Geographically, revenue from Singapore (which accounts for 44% of total revenue in FY2017) decreased by 2.7% to \$27.4 million while Malaysia (accounts for 16% of total revenue) decreased by 2.1% to \$9.7 million. Thailand, with 28% of total revenue, posted a 25.5% increase to \$17.2 million. New Zealand, accounts for 12% of total revenue, rose by 3.8% to \$7.3 million.

REVENUE BY SEGMENT (%)

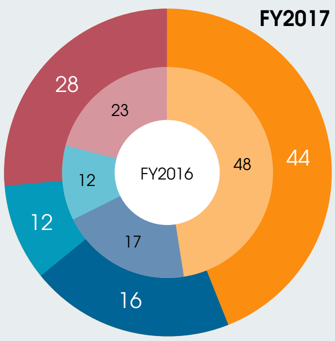


- Hotel segment
- Properties segment
- Investment segment

	Financial year ended 31 Dec 2017 $'000	%	2016 $'000	%	Increase (Decrease) $'000	%
Hotel segment	51,390	84	48,546	83	2,844	5.9
Properties segment	9,578	15	9,645	16	(67)	(0.7)
Investment segment	515	1	513	1	2	0.4
Total	**61,483**	**100**	**58,704**	**100**	**2,779**	**4.7**

Group revenue comprises mainly of income from hospitality operations, rental income from investment properties and income from financial investments. In 2017, the hotel segment posted a 5.9% rise to $51.4 million, with the investment segment contributing a modest 0.4% increase to $515,000. The properties segment declined marginally by 0.7% to $9.6 million.

REVENUE BY GEOGRAPHICAL LOCATION (%)



- Singapore
- Malaysia
- New Zealand
- Thailand

	Financial year ended 31 Dec 2017 $'000	%	2016 $'000	%	Increase (Decrease) $'000	%
Singapore	27,364	44	28,136	48	(772)	(2.7)
Malaysia	9,662	16	9,869	17	(207)	(2.1)
New Zealand	7,270	12	7,007	12	263	3.8
Thailand	17,187	28	13,692	23	3,495	25.5
Total	**61,483**	**100**	**58,704**	**100**	**2,779**	**4.7**

In terms of revenue by geographical locations, Singapore was still the largest market for the Group, making up 44% of total revenue. Thailand was our second largest market, accounting for 28%, followed by Malaysia 16% and New Zealand 12%.

Thailand was the star performer during the year in review, thanks to exceptional achievements in room occupancy and food & beverage sales from our Bangkok hotel. The decrease in revenue in Singapore and Malaysia was due mainly to lower room, food and beverage sales resulting from downward adjustment of room rates and lower occupancy. Our New Zealand investment properties also experienced higher occupancy during the year.

PROFITABILITY

During the year in review, the Group's gross profit jumped 0.9% to $31.2 million despite a 9.0% rise in cost of sales.

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, and write back of allowance for doubtful receivables no longer required, declined by 2.2% to $1.9 million due to the absence of write back of prior years' impairment losses on hotel building and investment property, offset by higher gain on disposal of available-for-sale investments.

Administrative expenses decreased by 5.8% to $12.9 million due to lower overhead expenses.

The impairment loss on leasehold land and building for the newly acquired Baba Mansion in Baba Residences, offset by lower impairment loss on available-for-sale investments as a result of the strengthening of the stock market conditions, increased other expenses up by 27.7% to $3.4 million.

Distribution costs were up 17.2% to $1.1 million largely due to higher sales commission expenses while finance cost was lower by 3.1% year-on-year to $4.5 million from repayment of bank loans.

This resulted in the Group's pre-tax profit increasing 2.5% to $11.2 million. The Hotel segment, continued to be the largest contributor to the Group's earnings (60% of total profit). In FY2017, pre-tax profit from this segment increased by 2.5% to $9.5 million.

The properties segment, accounted for 34% of total profit, posted a 12.6% decline in FY2017 due to lower occupancy from properties in Singapore, Malaysia and offset by higher occupancy in New Zealand while profit from the Investment segment surged 351.1% to $857,000 due to higher gain on disposal of available-for-sale investments.

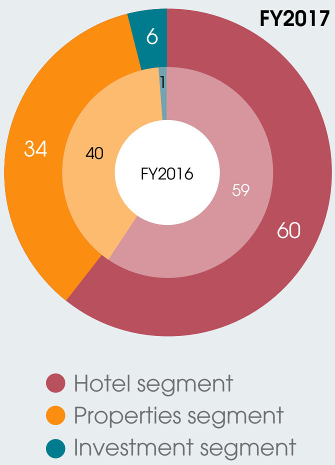
With a 13.7% increase in income tax expense of $3.6 million, the Group closed the year with a marginal decrease in net profit attributable to shareholders to $7.6 million.

However, adjusting for the impairment loss on leasehold land and building in 2017 and the write back of prior years' impairment losses on hotel building and investment property in 2016, the adjusted profit after income tax for financial year ended 31 December 2017 would be as follows:

	2017 $'000	2016 $'000	+(-) $'000	+(-) %
Profit after income tax	7,571	7,735	(164)	(2.1)
- Impairment loss on leasehold land and building of Baba Mansion in Baba Residences	775	-	775	100.0
- Write back of prior years' impairment loss of investment property in Royal Residences	-	(285)	285	(100.0)
- Write back of prior years' impairment loss on hotel building in Hotel Royal Bangkok @ Chinatown	-	(813)	813	(100.0)
	775	(1,098)	1,873	(100.0)
Adjusted profit after income tax	8,346	6,637	1,709	25.7

This will translate to a 25.7% increase in adjusted profit after income tax.

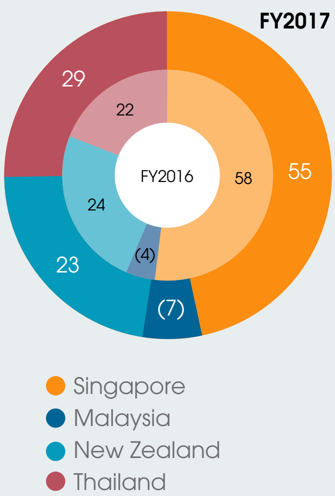
PROFITABILITY BY SEGMENT (%)



	Financial year ended 31 Dec 2017		2016		Increase (Decrease)	
	$'000	%	$'000	%	$'000	%
Hotel segment	9,459	60	9,224	59	235	2.5
Properties segment	5,382	34	6,156	40	(774)	(12.6)
Investment segment	857	6	190	1	667	351.1
Profit before interest and income tax	**15,698**	**100**	**15,570**	**100**	**128**	**0.8**

The Group's profit before interest and income tax increased by 0.8% to $15.7 million in FY2017, with the largest contribution from its hotel operations. The property segment showed decrease of 12.6%. Profit attributable to financial investment also increased by 351.1%.

PROFITABILITY BY GEOGRAPHICAL LOCATION (%)



	Financial year ended 31 Dec 2017		2016		Increase (Decrease)	
	$'000	%	$'000	%	$'000	%
Singapore	8,547	55	9,047	58	(500)	(5.5)
Malaysia	(1,099)	(7)	(588)	(4)	(511)	(86.9)
New Zealand	3,636	23	3,701	24	(65)	(1.8)
Thailand	4,614	29	3,410	22	1,204	35.3
Profit before interest and income tax	**15,698**	**100**	**15,570**	**100**	**128**	**0.8**

The decrease in profit before interest and income tax in Singapore was mainly due to a decline in room revenue and food and beverage sales with the downward adjustment of room rates and lower rental income from its investment properties.

Malaysia generated lower profit as a result of lower room occupancy, higher operating expenses and impairment loss on leasehold land and building of Baba Mansion and business operation will cease for a 18 months period for major upgrading starting from September 2017.

Profit from New Zealand remained constant while Thailand achieved greater profit from higher room occupancy, food and beverage sales and rental income from within hotel premises.

CASHFLOW

In FY2017, the Group generated strong cash flow from operations, which jumped 34.3% to $17.8 million. This provides the Group with the necessary capital for growth and expansion.

The Group invested a total of $9.5 million mainly in the acquisition of property, plant and equipment.

The net cash of $5 million used in financing activities was largely due to repayment of bank loans.

As at 31 December 2017, the Group registered cash and cash equivalents amounting to $17.2 million, up 22.4%.

GROUP CASH AND BANK BALANCES

	FY 2017 $'000	FY 2016 $'000	FY 2015 $'000	FY 2014 $'000	FY 2013 $'000
Cash on hand	166	156	144	154	144
Cash at bank	16,462	13,338	15,677	16,053	18,106
Fixed deposits	1,700	1,227	1,216	1,627	1,850
Total	**18,328**	**14,721**	**17,037**	**17,834**	**20,100**

The Group's cash and bank balances consist of cash on hand, cash at bank and fixed deposits. The fixed deposit of $1 million from a subsidiary company was pledged for a loan facility. This loan facility was secured by a mortgage over the subsidiary's freehold hotel property and investment property, fixed and floating charge on all the assets of the subsidiary, subordination of intercompany advances made to the subsidiary, fixed deposits and corporate guarantee from the Company.

Fixed deposits earn interest ranging from 1.95% to 3.00% per annum and for terms ranging from 30 to 270 days.

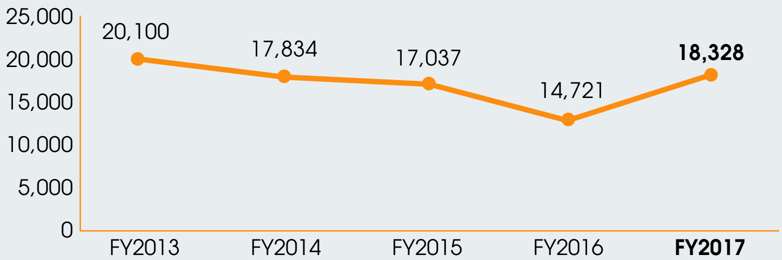
Increase mainly due to better contribution from Burasari Resort, Hotel Royal, Bangkok @ Chinatown and investment properties in New Zealand.

Increase due to proposed acquisition of the Baba Mansion in Melaka and for renovating and upgrading hotels in Singapore and Malaysia.

Decrease due to lower repayments of bank loans.

	2017 $'000	2016 $'000
Net cash from operating activities	17,813	13,262
Net cash used in investing activities	(9,478)	(5,144)
Net cash used in financing activities	(4,973)	(10,258)
Net increase (decrease) in cash and cash equivalents	3,362	(2,140)
Cash and bank balances at end of year	**18,328**	**14,721**

CASH AND BANK BALANCES ($'000)

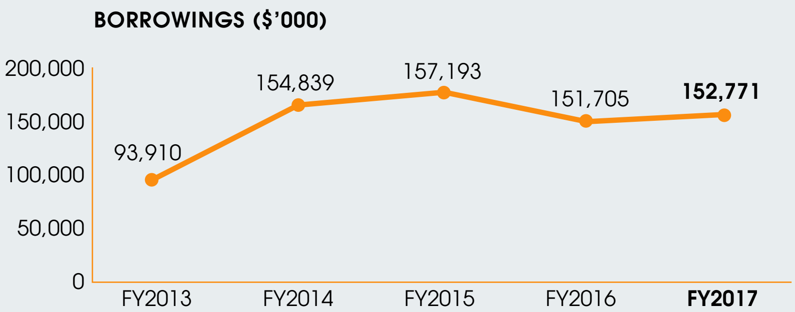


GROUP BORROWINGS

	FY 2017 $'000	FY 2016 $'000	FY 2015 $'000	FY 2014 $'000	FY 2013 $'000
Secured	152,771	151,705	157,193	154,839	93,910

Comprising short-term bank loans, long-term bank loans and finance lease, the Group's borrowings are secured by mortgages of the Company's and subsidiaries' freehold land and buildings and investment properties, including the assignment of rental proceeds of certain investment properties of certain subsidiaries and a floating change on all the Company's and subsidiaries' assets. Its obligations under finance leases are secured by the lessor's title to the leased asset.

In 2017, the Group's borrowing increased by about $1.1 million or 0.7% over that of the prior year.



Statements of Financial Position (extract)
31 December 2017

	2017 $'000	2016 $'000	Change %
Total Assets	**744,863**	**725,891**	**2.6**
- Property, plant and equipment	605,718	590,216	2.6
- Investment properties	91,222	94,390	(3.4)
- Investments	21,027	17,822	18.0
- Inventories	861	770	11.8
- Trade receivables and other receivables	4,991	4,992	-
- Goodwill	1,875	1,829	2.5
- Cash and bank balances	18,328	14,721	24.5
Total Liabilities	**186,529**	**183,024**	**1.9**
- Trade and other payables	10,971	8,262	32.8
- Tax liabilities	22,014	22,394	(1.7)
- Bank borrowings	152,771	151,705	0.7
Capital and reserves	**558,334**	**542,867**	**2.8**
- Share capital	100,438	100,438	-
- Asset revaluation reserve	364,577	354,185	2.9
- Employee benefit reserve	180	198	(9.1)
- Fair value reserve	3,707	2,075	78.7
- Translation reserve	(12,870)	(12,960)	(0.7)
- Retained earnings	102,302	98,931	3.4

The Group's total shareholders' equity rose by 2.8% to $558.3 million as the Group sought to consolidate its core businesses and investments.

Despite the challenges that the Group faced in FY2017, it continues to progressively upgrade its hotel properties as it positions itself to expand its market share in these key markets.

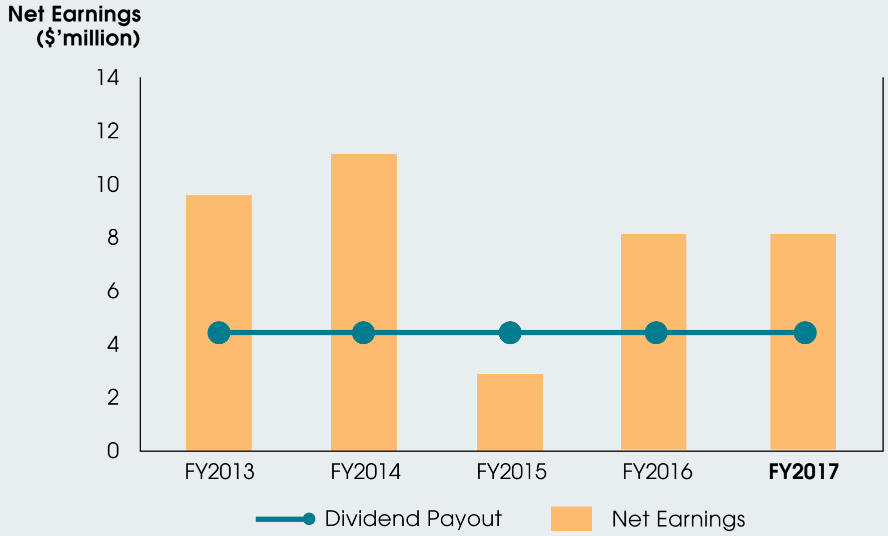
Moving ahead, the Group expects to increase its hospitality room inventory in key cities in the Asia Pacific by way of acquisitions. It will also actively upgrade and maximize rental income from its investment properties in New Zealand.

SHAREHOLDER RETURNS

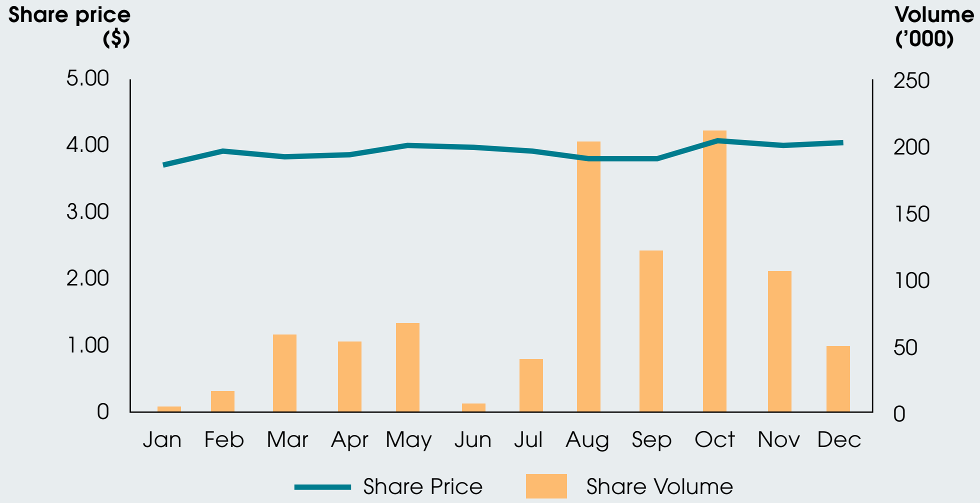
With the primary goal of achieving long-term capital growth for shareholders, the Group retains the bulk of its profits, when made, for investing in the Group's future. However, the Group will also distribute an appropriate annual dividend to reward shareholders, provided cash flow permits.

In response to the FY2017 results, the Directors are pleased to declare a one-tier, tax-exempt first and final dividend of five cents per ordinary share – amounting to $4.2 million in dividend payout. This proposed dividend, if approved by shareholders at the upcoming Annual General Meeting to be held on 28 April 2018, will be paid out in June 2018.

NET EARNINGS AND DIVIDEND PAYOUT



SHARE PRICE AND TRADING VOLUME (FY2017)



SUSTAINABILITY REPORT

Our Sustainability Report, which we will be submitting in full later in 2018, will be our third report that aims to provide a snapshot of our economic, social and environmental performance for FY2017. The Report intends to provide our shareholders with an accurate, complete and reliable account of how we manage sustainability issues in our hospitality business.

At Hotel Royal, we believe that our business objectives should be aligned with the priorities of environmental sustainability and the well being of the communities in which we operate in. It is for these reasons that we are embarking on a more structured and detailed Sustainability Report that is compliant with the guidelines of the SGX-ST Listing Rule 711A, and hope that our shareholders and investors will find this Report useful.

ORGANISATIONAL STRUCTURE

Hotel Royal's sustainability strategy is developed and directed by the senior management, in consultation with the Board of Directors. The Group's Sustainability Committee, which includes senior management executives, is led by the Group's CEO and tasked to develop the sustainability strategy, it also review its material impacts, considering stakeholder's priorities in setting goals and targets, as well as collects, verifies, monitors and reports performance data for this Sustainability Report.

CONTENTS OF THE REPORT

Our Report will begin 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.

OUR 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's values are articulated in the following principles:

1 Code of conduct and business ethics

Our Group adopts a Code of Conduct and Business Ethics that stipulates the principles of our conduct and business ethics that apply to all of the Group's employees. This Code covers 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, if any. 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 Page 40 of our FY2017 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 42 – 45 of our FY2017 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 40 - 41 of our FY2017 Annual Report.

AVAILABILITY

A PDF version of the full Report will be available for download at our investor relations pages of our website – hotelroyal.listedcompany.com, or at the SGX website, later this year.

OUR STAKEHOLDERS

STAKEHOLDERS	HOTEL ROYAL'S COMMITMENT
INVESTORS	Maximise shareholder value through our corporate strategies and business fundamentals
CUSTOMERS	Maximise customer satisfaction through delivering quality service and products
EMPLOYEES	Maximise the full potential of our people resources through continual employee development and training
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
COMMUNITY	Minimise environmental impact and contribute to the communities where we operate in

MATERIALITY MATRIX

The Materiality Matrix maps out the significant Environmental, Social, Governance and economic factors that impact our business, as well as insights gained from stakeholder engagements. It helps us to focus our efforts in paying attention to the values that are critical to the success of our business as well as the priorities of various 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.

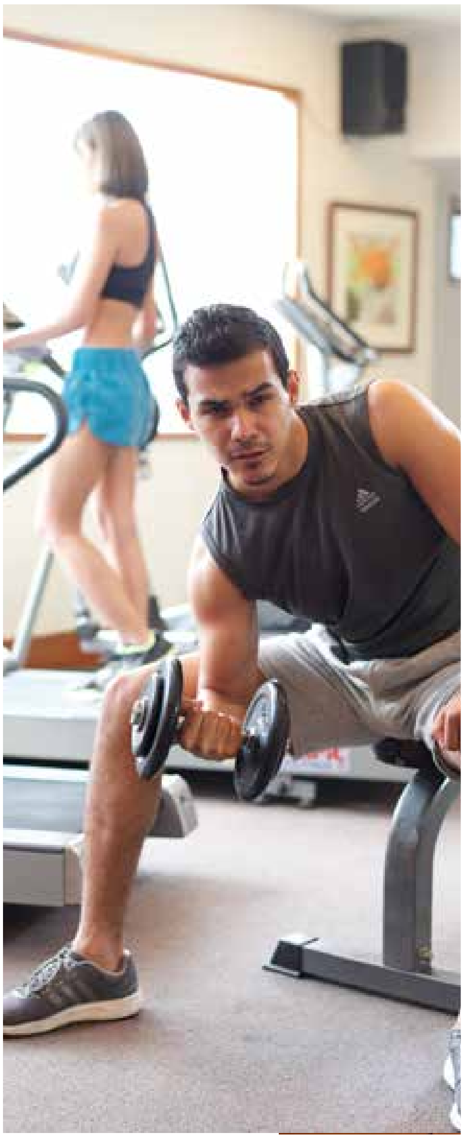
At the moment, the scope of the Sustainability Report is limited to our Singapore assets only, namely, Hotel Royal Singapore and Hotel Royal @ Queens. However, we intend to expand the coverage of the Report by including our assets in Malaysia, Thailand and New Zealand in the near future.

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.

Issues that are material to Hotel Royal are reviewed on an ongoing basis as the company continues to grow.

The Group is committed to being more engaged in the larger community that it operates in. Embracing the responsibilities of a good corporate citizen on a day-to-day basis, the Group believes that its success hinges on its efforts towards nurturing its people, supporting society and preserving the environment. The following sections on our CSR efforts as well as our People Report will provide a more detailed insight into our initiatives to achieve positive and sustainable outcomes for our stakeholders.



DURIAN MOUSSE CAKE

Durian – the quintessential 'King of Fruits' is a highly-prized fruit in Singapore, Malaysia and Thailand that is either craved or shunned for its unique pungent aroma. Apart from eating the fruit straight from its thorny husk, its creamy, luscious flesh has also inspired a delectible array of desserts and pastries, such as the Durian Mousse Cake.

CORPORATE SOCIAL RESPONSIBILITY

We believe in doing our part as a good corporate citizen in minimizing the impact that our operations may have on the environment.

THE ENVIRONMENT

In terms of energy conservation, we have various initiatives to lessen our reliance on fossil fuel, such as tapping solar energy to generate hot water in Singapore and Phuket, while our properties in Singapore, Kuala Lumpur and Phuket have switched to energy-saving LED lighting. Our hotel in Bangkok has also successfully installed environmentally friendly VRV air-conditioning system.

On the day-to-day, we have found ways and means to minimize wastage. Our Phuket hotel switches off the swimming pool pump daily during the evening hours from 6pm to 10pm when usage of the pool is low, and when it rains, the pump for the waterfall is switched off as well. Our Bangkok hotel has installed sensors in common amenities such as the gym to turn off the air-conditioning when the space is not in use, and lights to certain car park floors are switched off during low-demand periods.

Regular preventive maintenance also goes a long way to ensure that all mechanical and electrical systems are in top condition. Education is also a key solution, and our hotel in Penang has embarked on a campaign to educate staff about conservation of resources such as water and energy. Every little act makes a difference – such as office staff switching off lights during the lunch period, and rainwater is collected to water the plants and wash bin centres. In Phuket and Bangkok, waste materials are separated for more efficient recycling.

Since 2016, Hotel Royal Singapore has installed dispensers for hot, warm and cold water on all floors, and has ceased distributing bottled drinking water to the guest rooms. In addition, Hotel Royal Singapore and Hotel Royal Kuala Lumpur joined Hotel Royal @ Queens as a smoke-free hotel - all guest rooms and suites have been designated as no smoking zones.

At the community level, our Bangkok hotel participated in two city-level events – the "Big Cleaning Day" at the Samphantawong District on 27 August 2017 and the "Clean Up Bangkok River 2017" which was held on 16 September.

COMMUNITY OUTREACH

The Group also believes in reaching out to the community in which our hotels operate, doing our part in making a positive impact in and around us.

In 2017, our hotel in Bangkok donated school gifts to the children at 700 Rai Klongtoei community on 15 December as well as donated food and drink to the people who attended the Royal Cremation ceremony of the King Rama 9 at Traimit Temple on 26 October.

During major festivities in Penang, our staff visited senior residents of a home during the Chinese New Year, and during the Hari Raya holidays, children from a local orphanage were invited to a dinner at the hotel. At Deepavali, staff visited a children's protection centre, while during the Yuletide season, our staff passed the hat around to collect funds to purchase books for the children at the protection centre.

SUPPORT OF THE ARTS

As an ardent support of the arts, Hotel Royal Singapore continued to support the Theatre Practice with regard to the sponsorship of 330 room nights in FY2017. The Theatre Practice put up productions such as Lao Jiu: The Musicial 2017 – a Singapore classic adapted from a play by the late theatre doyen, Kuo Pao Kun, and featuring songs composed by local Mandopop luminaries Eric Ng and Xiaohan, as well as seven other productions.

Photo Credit: The Theatre Practice

PEOPLE REPORT

The Group has 815 employees across its operations in Singapore, Malaysia and Thailand, of which 226 are in Singapore, delivering exceptional service inspired by its credo – "Every Room A Home".

On 27 September, Hotel Royal successfully completed its Business Excellence assessment, conducted by Spring Singapore for the Service Quality Class ("SQC") and Singapore Service Class ("SSC") certification. It noted that staff were empowered to provide positive customer experiences, were able to anticipate the needs of the guests and delivered on its service credo "WE CARE". In its assessment, Spring Singapore observed that Hotel Royal's management placed strong emphasis on the organisation's values of integrity and trust, and that the hotel has built strong relationships with its customers over the years, with 100% retention of its top business-to-business customers, as evidenced by the high level of satisfaction from partner travel agencies. Senior management also played an active role in daily operations, and engaged staff regularly through quarterly feedback sessions to solicit feedback and suggestions. It also took the lead in resolving work-related issues and facilitating improvements in work areas.

TRAINING

Our employees are the Group's brand personified, and we place a high priority in equipping them to deliver quality service on a day-to-day basis. Our vision is to be the preferred hospitality group for the mid-market segment, such as corporate travel, agents, training, sports, shipping, incentives, online travel and performance segments, and our performance is measured against the best in class, particularly since we are one of the few hotel management companies with ISO, Singapore Quality Class (Star) and Singapore Service Class certifications.

Our aim is to train our employees to achieve optimal level of performance, aligning their personal goals with the Group's performance and creating a culture that is in line with our service credo, "WE CARE". We seek to instill in our staff, the four deliverables based on the acronym CARE (customers, attitude, recognition and efficiency).

MENTORING

At Hotel Royal, apart from attracting staff with competitive wages and fringe benefits, we also have a structured mentorship programme, which also maps out clear career pathways for our staff.

Not only are appraisals given to all staff to assess their performance, we also provide a channel for them to provide feedback about their training needs, job satisfaction, quality of the work environment, benefits and welfare through the Employee Satisfaction Survey. This is of importance to us and we seek to achieve a minimum of 80% rating in the annual survey. Our senior management also reaches out to staff to ensure effective flow of information and alignment of business goals and objectives across all levels of the workforce.

The Company's operational performance is monitored annually through the Customer Satisfaction Survey that targets a minimum 80% score, and 12 compliments for every complaint received.

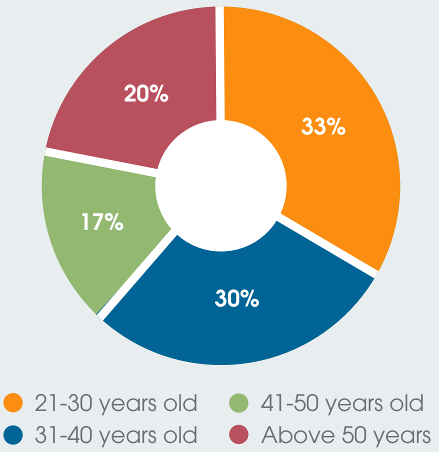
Apart from complaints, we believe that positive reinforcement is equally important. We have put in place a positive reinforcement scheme where the number of compliments received per staff are tracked and linked to a points system, which allows accumulated points to be redeemed for shopping vouchers.

In addition, we single out exemplary employees every month as "Outstanding Service Providers". At the end of the year, we select the employee with the best performance for the "Outstanding Service Provider of the Year" Award. Exceptional service providers who went out of their way to serve are also recognised and nominated for the "Extra Mile Award".

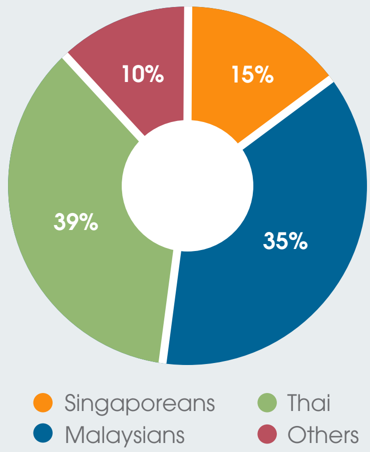
All these initiatives are implemented to recognise service excellence.

GROUP EMPLOYEE PROFILE

BY AGE



BY NATIONALITIES



SPOTLIGHT ON:

Bell Captain Nadaraja received the "Service Gold – The National Kindness Award" organized by the Singapore Kindness Movement and Singapore Hotel Association. The Service Gold Award recognizes hotel service staff who demonstrates exemplary service and graciousness in the course of their work.

On 7 May 2017, Nadaraja was alerted by the mother of a handicapped boy who was having difficulty keeping himself afloat in the swimming pool. Nadaraja ran over to the pool and jumped in to save the boy from drowning.

Nadaraja's quick, heroic action was not the only incident. He is known to be always helpful to his hotel guests, customers and colleagues.

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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 and 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 so doing, we endeavour to achieve operational excellence and achieving our long-term strategic objectives to drive long-term growth and value for our shareholders.

CORPORATE GOVERNANCE REPORT

Preamble

The Board of Directors (the "Board") of Hotel Royal Limited (the "Company") is pleased to confirm that it has adhered to the following corporate principles and guidelines tailored to the specific needs of the Company set out in the Code of Corporate Governance 2012 (the "Code"). These principles and guidelines reflect the Board's commitment in having effective self-regulatory corporate practices to safeguard the interests of its shareholders and maximising long-term success of the Company and Group.

The Board believes that these guidelines should be an evolving set of corporate governance principles, subject to the specific needs of the Company and subject to modification when circumstances may warrant.

1. BOARD MATTERS

1.1 The Board's Conduct of Its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Role: The Board strives to create value for its shareholders so as to ensure the long-term success of the Group through the development of the right strategy, business model, risk appetite, compensation framework and succession planning. The Board also sets the tone for the entire organisation with regards to its ethics and values.

The primary responsibilities of the Board of Directors encompass the following:

- to provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- to establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and Company's assets;
- to review Management performance;
- to identify the key stakeholder groups and recognise that their perceptions will affect the Company's reputation;
- to set up the Company's values and standards (including ethical standards), and ensure that obligation to shareholders and other stakeholders are understood and met;
- to consider sustainability issues, such as environmental and social factors, as part of its strategic formulation; and
- to be responsible for the overall corporate governance of the Group.

Board Committees: 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.

CORPORATE GOVERNANCE REPORT

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, share issues and share buy backs;
- review of performance in the light of the Group strategic objectives, business plans;
- approval of the quarterly/half-yearly/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), substantial bank borrowings etc;
- 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 etc;
- 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, corporate social responsibility policy etc; and
- 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.

Board Meetings: Each Board member 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 and Board Committee meetings for the financial year is notified to all directors well in advance. The Board meets quarterly. To cater to urgent substantial matters, the Board may convene meetings on an ad-hoc basis.

The Company's Constitution 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.

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 Singapore Exchange Securities Trading Limited ("SGX-ST") and the Accounting and Corporate Regulatory Authority ("ACRA") are circulated to the Board.

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, its principal officers and its independent auditors.

Training: All directors are informed of and encouraged to attend relevant courses conducted by the Singapore Institute of Directors, Singapore Exchange Limited and relevant business and financial organisations. During the year, the Company Secretary conducted detailed briefing on new disclosure requirement at Board meetings. The Company has set aside funding and will be responsible for arranging and funding the training of directors.

Annually, the Company's external auditors update the ARC on new and revised financial reporting standards that are applicable to the Company and Group.

Number of Meetings: During the financial year ended 31 December 2017 ("FY2017"), the Board held four meetings as warranted by the particular circumstances. Telephonic attendance and conference via audio-visual communication at Board's meetings are allowed by the Company's Constitution.

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.

CORPORATE GOVERNANCE REPORT

The attendance of directors at these meetings in FY2017 is shown below:

Director	Board Meeting	Board Committee Meetings			Independent Directors' Meeting (without presence of Management)	AGM
		Audit & Risk	Nominating	Remuneration		
Dr Lee Keng Thon	4	-	-	-	-	1
COL (Ret) Rodney How Seen Shing	4	4	1	1	1	1
Professor Pang Eng Fong	4	4	1	1	1	1
Dr Tan Kim Song	4	4	1	1	1	1
Lee Khin Tien	4	4	1	1	-	1
Lee Kin Hong	4	-	-	-	-	1
No. of Meeting Held in 2017	**4**	**4**	**1**	**1**	**1**	**1**

1.2 Board Composition and Guidance

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

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.

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.

A director who has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of business judgement in the Company's best interest, is considered to be independent. In line with the guidance of the Code, the Board also takes into account of the existence 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.

* 10% shareholder refers to a person who has an interest or interests in one or more voting shares in the Company and the total vote attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. Voting shares exclude treasury shares.

On this basis, Dr Lee Keng Thon, Mr Lee Khin Tien and Mr Lee Kin Hong are the non-executive and non-independent directors. All other directors, namely COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Dr Tan Kim Song are considered to be independent.

In assessing the independence of the directors, the Board through the NC has examined the different relationship identified by the Code that might impair the directors' independence, and is satisfied that COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Dr Tan Kim Song are independent and are able to act with independent judgement.

Further, the independence of each director is assessed and reviewed by the NC annually. Each independent director completes a Director's Independence Checklist annually so as to confirm his independence based on the Code's guidelines. Each of them also confirmed that they are independent and have no relationship identified in the Code. Through the NC, the Board considers all three independent directors, COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Dr Tan Kim Song to be independent including independence from the 10% shareholders of the Company.

Half of the Board consists of independent directors and all directors are non-executive.

The Board recognises that independent directors with long period of service on the Board will over time develop significant insights in the Group's business and operation. They can provide significant contribution to the Board. COL (Ret) How Seen Shing has been with the Board for more than nine years and has demonstrated strong independent view in challenging management's assumptions, especially for new investment proposals and in reviewing the performance of management in creating long term value for the Company and Group.

Taking into consideration all of the above, the Board is of the view that COL (Ret) How Seen Shing is considered to be independent. The Board also recognises the need to refresh itself periodically.

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 direct access to management so that they can seek clarifications before or after Board meetings. With half of the directors deemed to be independent, the Board is able to exercise independent and objective judgement on Board affairs.

Board Competency: The Board and its Board committees collectively possesses the core competencies, appropriate mix of expertise and experience for effective functioning and decision-making. The Board is of the opinion that given the scope and nature of the Group's operations, the size of the Board is appropriate in ensuring effective decision making.

CORPORATE GOVERNANCE REPORT

Board Composition: The current composition of the Board is as follows:-

Director	Board Membership	Committee Membership		
		Audit and Risk	Nominating	Remuneration
Dr Lee Keng Thon	Non-Executive Group Chairman			
COL (Ret) Rodney How Seen Shing	Lead Independent Non-Executive Director	Member	Chairman	Member
Professor Pang Eng Fong	Independent Non-Executive Director	Chairman	Member	Member
Dr Tan Kim Song	Independent Non-Executive Director	Member	Member	Chairman
Lee Khin Tien	Non-Executive Director	Member	Member	Member
Lee Kin Hong	Non-Executive Director			

Limit on Other Directorships in Listed Entities: Other than directorships in the Company, none of the directors hold directorships in other listed companies during the current and preceding three years. The Board is of the view that a director should hold no 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.

The profile of the directors and other relevant information are set out under the Board of Directors on pages 18 and 19.

The shareholdings of the individual directors of the Company are set on page 77 of this Annual Report. None of the directors hold shares in the Company's subsidiaries.

Role of the Lead Independent Director: The independent element was further strengthened by the appointment of a Lead Independent Director. COL (Ret) Rodney How Seen Shing, who is the Lead Independent Non-Executive Director, is available to shareholders with concerns which they cannot resolve through the normal channels of the Chairman, the CEO or the Group Accountant ("GA").

Independent Directors' Meetings: The independent directors met among themselves without the presence of the non-independent directors and management at least once a year. They provided feedback to the Chairman after such meeting.

1.3 Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Relationship Between Chairman and CEO: The Non-Executive Chairman and the Chief Executive Officer ("CEO") are two separate persons who are related. The CEO, Mr Lee Chou Hock, who is not a Board member, is the nephew of the Non-Executive Chairman, Dr Lee Keng Thon.

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

- lead the Board to ensure its effectiveness on all aspect 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 effectiveness communication with shareholders;
- facilitate the effective contribution of Non-Executive Directors in particular; and
- promote high standards of corporate governance.

There is a clear division between the leadership of the Board and the CEO. No one individual represents a considerable concentration of power.

1.4 Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee

NC Composition: The NC consists of four directors; namely, COL (Ret) Rodney How Seen Shing (Chairman), Dr Tan Kim Song, Professor Pang Eng Fong and Mr Lee Khin Tien. 75% of the members of the NC, including its Chairman, 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 a director for re-election at the Annual General Meeting ("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 Chairman and for the CEO;
- review training and professional development programmes for the Board; and
- perform such other functions as may be assigned by the Board.

CORPORATE GOVERNANCE REPORT

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 Board 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 fulfill 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.

Process For Selection and Appointment of New Directors: 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.

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.

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 102 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 Lee Kin Hong and COL (Ret) Rodney How Seen Shing (retiring pursuant to Article 117), be subject to retirement by rotation pursuant to Company's Constitution. Mr Lee Kin Hong being eligible offer himself for re-election at the coming Annual General Meeting and COL (Ret) Rodney How Seen Shing will not seek re-election and will retire as Director of the Company on 28 April 2018 at the close of the Annual General Meeting.

Annual Review of Directors' Independence: In recommending the above director 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 COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Dr Tan Kim Song. In assessing their independence, the NC having considered the guidelines set out in the Code, is of the view that COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Dr Tan Kim Song are independent. There are no relationships identified in the Code which would deem them not to be independent. COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Dr Tan Kim Song have also declared that they are independent. Please also refer to the above paragraphs under Board Composition and Guidance on more information about the Board's view on the independence of COL (Ret) Rodney How Seen Shing who has served more than nine years on the Board.

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. As such, the Board has not set a maximum term of office for each of the Independent Directors so as to allow the Board to be able to retain their service as necessary.

Alternate Directors: There are no alternate directors on the Board.

Initial Appointment and Last Re-Election of Directors: Details of the year of initial appointment and last re-election of the directors are appended below:

Director	Position	Date of Initial Appointment	Date of Last Re-election / Re-appointment
Dr Lee Keng Thon	Non-Executive Group Chairman	8 September 1971	30 April 2016
COL (Ret) Rodney How Seen Shing	Lead Independent Non-Executive Director	26 February1986	30 April 2016
Professor Pang Eng Fong	Independent Non-Executive Director	5 December 2011	30 April 2016
Dr Tan Kim Song	Independent Non-Executive Director	2 March 2015	29 April 2017
Lee Khin Tien	Non-Executive Director	31 December 1996	29 April 2017
Lee Kin Hong	Non-Executive Director	21 June 2002	30 April 2016

Number of Meetings: The NC held one meeting during FY2017.

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.

Succession Planning of Senior Management: The NC also reviews the succession planning for senior management, especially the Chief Executive Officer. As part of this review, the successors to key positions are identified, and development plans are instituted for them.

1.5 Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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 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 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 for assessing the contribution by directors to the effectiveness of the Board and the Chairman's leadership. No external consultant has been engaged to perform the board assessment process.

CORPORATE GOVERNANCE REPORT

During the financial year, all directors were requested to complete a questionnaire to assess the overall effectiveness of the Board and the Chairman. Factors evaluated include, among other matters, board structure, 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 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 and acumen in the development of the Group's strategy.

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.

1.6 Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 expects management to report 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 in a timely and accurate manner.

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.

As a general practice, detailed Board papers are circulated to all directors prior to each meeting so as to allow all directors sufficient time to review and consider the matters to be discussed at the Board meeting.

In exercising their duties, the directors have unrestricted access to the Company's management, internal and external auditors.

Directors also have separate and independent access to the Company Secretary. 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 appointment and the removal of the Company Secretary are subject to the Board's approval.

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

2. REMUNERATION MATTERS

2.1 Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

RC Composition
The RC comprises four directors; namely Dr Tan Kim Song (Chairman), COL (Ret) Rodney How Seen Shing, Professor Pang Eng Fong and Mr Lee Khin Tien. Where necessary, the Committee can engage professional help from external consultants in areas of executive compensation.

75% 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 Chief Executive Officer; and
- review the terms, conditions and remuneration of the key management personnel of the Company.

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.

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 FY2017, 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.

Number of Meetings
The RC held one meeting during FY2017.

CORPORATE GOVERNANCE REPORT

2.2 Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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.

Board Members

The directors' fees paid to the directors are based on the number of meetings attended during the year, subject to a minimum sum. The Chairman of the Board will receive an additional allowance that is equivalent to 120% (FY2016: 100%) 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.

Senior Executives

The remuneration package of senior executives 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 senior executives of the Company and its subsidiaries. It usually takes the form of an end of the year ex-gratia payment.

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

4. *Directors' Fee*
   Some of the executives 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. Hence, the Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the CEO and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

2.3 Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The breakdown of remuneration of the directors of the Company for FY2017 is as follows:

Annual Remuneration Report
Remuneration of Directors for FY2017
(in S$)

Name of Director	Director's Fee		Total
	Company*	Subsidiaries	
Dr Lee Keng Thon	55,000	14,316	69,316
COL (Ret) Rodney How Seen Shing	39,750	-	39,750
Professor Pang Eng Fong	37,000	-	37,000
Dr Tan Kim Song	34,750	-	34,750
Lee Khin Tien	34,000	19,632	53,632
Lee Kin Hong	25,000	15,632	40,632
Total	**225,500**	**49,580**	**275,080**

* Subject to shareholders' approval at the Annual General Meeting.

Remuneration of Chief Executive Officer for FY2017
(in S$)

Name of CEO	Fixed Remuneration	Variable Bonus	Benefit*	Subsidiaries' Director Fee	Central Provident Fund	Total Remuneration
Lee Chou Hock	337,145	83,631	11,322	19,632	9,181	460,911

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

CORPORATE GOVERNANCE REPORT

Remuneration of Key Executives of the Group for FY2017
(in S$)

Name of Key Executive	Fixed Remuneration	Variable Bonus	Benefit*	Subsidiaries' Director Fee	Central Provident Fund	Total Remuneration
Lee Chin Chuan Group Adviser	106,895	32,427	84	-	7,652	147,058
Lee Chu Bing General Manager of Hotel Royal @ Queens	151,197	41,456	11,697	-	17,341	221,691
Lukas Gerber General Manager of Burasari Resort	112,598	6,859	54,055	-	5,316	178,828
Nicklas Moberg General Manager of Hotel Royal Bangkok	101,583	15,680	3,487	-	-	120,750
Wong Siew Choo Group Revenue Controller	84,711	9,201	777	-	6,559	101,248

* Benefit for Mr Lee Chin Chuan and Mrs Wong Siew Choo was for meal. Benefits for Mr Lukas Gerber consists mainly of housing allowance, education for children and personal income tax, and Mr Nicklas Moberg's benefits consists of meals and air fare.

Mr Lee Chou Hock (Chief Executive Officer) is the nephew of the Non-Executive Chairman, Dr Lee Keng Thon and Non-Executive Directors, Mr Lee Khin Tien and Mr Lee Kin Hong.

Mr Lee Chu Bing is the son of Dr Lee Keng Thon and Mrs Wong Siew Choo is the sister of Dr Lee Keng Thon.

Mr Lee Chin Chuan, Mr Lee Khin Tien and Mr Lee Kin Hong are brothers of the Non-Executive Chairman, Dr Lee Keng Thon. Mr Lee Chin Chuan passed on in January 2018.

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 Employees who are Immediate Family Members of a Director or the CEO
Other than the above-mentioned key executives, no other employees are immediate family of a director or the CEO whose remuneration exceeding $50,000 for the year under review.

3. ACCOUNTABILITY AND AUDIT

3.1 Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board believes that it should conduct itself in ways that deliver maximum sustainable value to its shareholders. Prompt fulfillment of statutory requirements is one of the ways to maintain shareholders' confidence and trust in the Board's capability and integrity.

Management is responsible to the Board and the Board itself is accountable to the shareholders.

The Management will provide the Board with detailed management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a monthly basis.

The Management also presents to the Board quarterly and full year financial results of the Group and the ARC reports to the Board on the results for review and approval. The Board approved the results after review and authorised the release of the quarterly and full year financial results of the Group to the SGX-ST and the public via SGXNET.

Annual general meetings are held every year to obtain shareholders' approval to routine business, as well as the election of directors.

In addition to its statutory responsibilities, the Board also ensures that the principal risks of the Company's business are identified and appropriately managed.

3.2 Risk Management and Internal Controls

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

The 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.

CORPORATE GOVERNANCE REPORT

A summary of the Group Risk Factors and Risk Management is included in Pages 74-75 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 non-performance of the new investments will not place the Company and the Group under un-manageable risk. Hence, every new overseas investment are 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 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 report 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 2017.

For FY2017, the Board and the ARC have received assurance from the CEO and the GA on the adequacy and effectiveness of the Company's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

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.

3.3 Audit and Risk Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARC 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 Audit Committee was renamed the ARC in FY2013.

ARC Composition: Members of the ARC comprise four directors; namely Professor Pang Eng Fong (Chairman), COL (Ret) Rodney How Seen Shing, Dr Tan Kim Song, and Mr Lee Khin Tien. 75% 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 related financial management expertise.

Number of Meetings

The ARC held four meetings during FY2017.

Key Terms of Reference

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 and statement of financial position and statement of profit or loss including reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance, before submission to the Board for approval;
- review the Group's financial and operating results and accounting policies;
- 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 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;
- 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.

CORPORATE GOVERNANCE REPORT

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 executive officer to attend its meetings. The external and internal auditors have unrestricted access to the ARC.

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 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 is a key audit matter for FY2017.

Key Audit Matter	ARC's Comment on Key Audit Matter
Freehold land on which hotels are sited are stated at their fair values based on independent external valuations while hotel buildings and investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The freehold land amounting to $456.7 million account for 61% of total assets at 31 December 2017. The valuation for freehold land involves significant judgement 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 but adjusted for differences such as location, size, configuration and accessibility. Other freehold land are valued using the residual approach. 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. A small change to any of the inputs may have a significant impact on the valuation of each of the properties.	For FY2017, the Group recognised in other comprehensive income (page 87 of this Annual Report) net valuation gain of $10.295 million for freehold land on which the hotels are sited. The freehold land amounting to $456.7 million account for 61% of total assets at 31 December 2017. The valuations for freehold land involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. A small 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 fair values of freehold land on which the Group's hotels are sited are not materially misstated, the ARC reviewed the various valuation methods, assumptions and inputs 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 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 at 31 December 2017. The ARC considered the comments of the Independent Auditors' Report and the disclosures in Note 14 to the financial statements. These are consistent with the results of the above discussions.

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 Company's internal audit function has been outsourced to Philip Liew & Co. who is independent of the Company's business activities. Both the external and internal auditors report directly to the ARC their findings and recommendations.

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 quarterly basis, the ARC also reviews the interested person transactions and the financial result announcement 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 and information technology risks are adequate as at 31 December 2017.

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 meets with the internal auditors and external auditors separately and in each case, at least once a year, without the presence of the Management to review any matter that might be raised.

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. Accordingly, the ARC has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming annual general meeting. 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 FY2017, the Group incurred an aggregate of $432,000 to the external auditors, of which was $391,000 was for audit services and $41,000 was for non audit services.

CORPORATE GOVERNANCE REPORT

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 external auditors have also provided a confirmation of their independence to the ARC.

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

Members of the ARC abstain from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which they are interested parties.

Whistle-Blowing

The ARC has established a whistle-blowing policy. Allegations on serious matters relating to financial reporting, illegal or unethical conduct can be reported directly to COL (Ret) Rodney How Seen Shing, current Chairman of the NC, for appropriate actions. The whistle-blowing policy which has been endorsed by the ARC 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.

There was no valid whistle-blowing report received for FY2017.

3.4 Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has engaged a public accounting company, Philip Liew & Co., to perform the internal audit function. The internal audit work carried out by the internal auditors in FY2017 was guided by the Standards for the Professional Practice of Internal Auditing laid down by the International Professional Practices Framework issued by the Institute of Internal Auditors.

The ARC approved the hiring, removal, evaluation and compensation of the internal auditors.

The internal auditors report directly to the Chairman of the ARC and have full and direct access to the Chairman and members of the ARC at all times.

Their duties encompass reviewing the Group's material internal controls consisting of financial, operational and compliance controls as well as risk management. The internal audit comprises all areas of operations.

The ARC is satisfied that the internal auditors have adequate resources, and are staffed by persons with the relevant qualifications and experience to perform its function effectively.

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

4.1 Communication with Shareholders

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

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

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 quarterly 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 are also informed of general meetings through notices contained in annual reports or circulars that are dispatched to shareholders. Such notices are also published in the Business Times and announced via SGXNET. Rules, including voting procedures, that governed general meetings are included in the annual reports or circulars and explained further before the voting process.

All materials on the quarterly and full year financial results, annual report and announcements are also 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

Proxies and Observers
Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Constitution of the Company allow each shareholder to appoint up to two proxies to attend AGMs. Subject to legislative amendment to the Companies Act of the relevant provision regarding appointment of proxies, the Company will consider amending 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. However, the Company allows shareholders who hold shares through nominees to attend the Annual General Meeting as observers without being constrained by the two-proxy rule.

Dividend Policy
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 5 cents per ordinary share one-tier tax exempt for FY2017 has been proposed for shareholders' approval at the coming AGM on 28 April 2018.

4.2 Greater Shareholder Participation
Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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.

In addition, 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.

The Company prepares minutes of general meetings that include substantial and relevant comments and queries from shareholders relating to 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.

If shareholders are unable to attend the annual general meetings, the Company's Constitution allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder.

All resolutions at the Company's Annual General Meeting and Extraordinary 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.

Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

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.

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

The Group has adopted an internal code which prohibits the directors and key executives of the Group from dealing in the Company's share during the period of two weeks and one month immediately preceding the announcement of the Company's quarterly 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 discouraged from dealing in the Company's shares on short-term considerations.

6. MATERIAL CONTRACTS

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

7. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are 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 Company's disclosure in interested person transactions for FY2017 is set out on page 118 of this Annual Report. There were no interested person transactions in excess of $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 FY2017.

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.

8. 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.

RISK FACTORS AND RISK MANAGEMENT

Risk management constitutes an integral part of business management. The Group's risk management framework is designed to provide reasonable assurance that its business objectives are met by incorporating management control into its daily operations to safeguard its assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures.

The following set out an overview of the Group's key risks.

Financial Risks

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group does not hold or issue derivative financial instruments for speculative purposes.

1. **Credit Risk**

   The Group's credit risk is primarily attributable to its cash and bank balances, trade and other receivables and investments. Cash, fixed deposits and certain investments 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, represents the Group's maximum exposure to credit risk.

2. **Interest Rate Risk**

   The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets.

   Further information related to interest rate and maturities of bank loans is disclosed in Notes 16 and 20 to the financial statements.

3. **Foreign Currency 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 the United States dollar, the Euro, the Australian dollar, the British pound, the Malaysian ringgit, the Hong Kong dollar and the Thai baht vis-à-vis the Singapore dollar. In addition, the Group is exposed to currency translation risk as it has significant subsidiaries operating in New Zealand, Malaysia and Thailand. For the year ended 31 December 2017, approximately 9% (2016: 9%) of the Group's net assets is denominated in Malaysian ringgit and approximately 8% (2016: 8%) and 14% (2016: 14%) are denominated in New Zealand dollars and Thai baht respectively.

4. **Price Risk**

   The Group is exposed to price risks arising from its investments classified as held-for-trading and available-for- sale. These investments include equity shares, and instruments whose fair values are subject to volatility in equity and bond prices.

   Further details of these investments can be found in Notes 7 and 8 to the financial statements.

5. Liquidity Risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as 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 totaling $172.9 million (2016: $184.3 million) and $75.8 million (2016: $83.0 million) respectively.

From time to time, management evaluates the tenure of credit facilities including the need for longer term credit facilities.

6. Capital Risk

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 disclosed in Note 22, reserves and retained earnings; and debt which comprise bank borrowings and leases disclosed in Notes 16, 18 and 20.

The Group reviews the capital structure on an annual basis. As a part of this review, the Group considers the cost of capital and the risks and tenure associated with each class of capital.

The Group's overall strategy remains unchanged from 2016. The bank loans require the Group to comply with certain covenants such as debt to security ratio. The Group is compliant with these covenants.

General Business Risks

The Group's businesses are subject to general business risks. They are as follows:

a. War and terrorism, and its adverse effect on business;

b. The spread of contagious diseases and their adverse effect on tourist arrivals;

c. Global recession and its effect on the performance of the local economy; and

d. Changes in government regulations that burden the Group's operating costs or restrict business.

It is recognised that such risks can never be eliminated totally and that the cost controls in minimising these risks may outweigh their potential benefits. Accordingly the Group continues to focus on risk management and incident management. Where appropriate, this is supported by risk transfer mechanism such as insurance.

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 2017.

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 84 to 144 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 2017, 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:

Col (Ret) Rodney How Seen Shing
Dr Lee Keng Thon
Dr Tan Kim Song
Lee Khin Tien
Lee Kin Hong
Professor Pang Eng Fong

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of directors and companies in which interests are held	Shareholdings registered in 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	
Dr Lee Keng Thon	534,800	534,800	–	–
Lee Khin Tien	235,200	235,200	–	–
Lee Kin Hong	77,280	77,280	336,000	336,000

The directors' interests as disclosed above remained unchanged at 21 January 2018.

DIRECTORS' STATEMENT (cont'd)

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 Professor Pang Eng Fong (Chairman of the Audit and Risk Committee), Col (Ret) Rodney How Seen Shing, Dr Tan Kim Song, and Lee Khin Tien.

The Audit and Risk Committee ("ARC") held four meetings during the financial year ended 31 December 2017 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 financial statements and statement of financial position and statement of profit or loss including reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance, before submission to the Board 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 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 on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;

5 AUDIT AND RISK COMMITTEE (cont'd)

(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, and report to the Board 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.

The Audit and Risk Committee 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 Audit and Risk Committee.

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 Audit and Risk Committee their findings and recommendations.

The Audit and Risk Committee, 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 Audit and Risk Committee 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

....	....
Dr Lee Keng Thon	Lee Khin Tien

23 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOTEL ROYAL LIMITED AND ITS SUBSIDIARIES

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 2017, 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 84 to 144.

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matter

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.

Valuation of properties (Note 14 to the financial statements)

Freehold land on which hotels are sited are stated at their fair values based on independent external valuations while hotel buildings and investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The freehold land amounting to $456.7 million account for 61% of total assets at 31 December 2017.

The valuation for freehold land involves significant judgement 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 but adjusted for differences such as location, size, configuration and accessibility.

Other freehold land are valued using the residual approach. 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.

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

How our audit addressed the Key Audit Matter
We evaluated the qualifications, competence and independence of the external valuers.

We considered the valuation methodologies used and evaluated the basis and assumptions for the above inputs and sought explanations from the valuers. We considered whether they appear to be 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.

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

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

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

INDEPENDENT AUDITOR'S REPORT (cont'd)

TO THE MEMBERS OF HOTEL ROYAL LIMITED AND ITS SUBSIDIARIES

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:

- 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.

- 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.

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

- 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.

- 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.

- 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 Mr. Michael Ng Wee Kiat.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

23 March 2018

STATEMENTS OF FINANCIAL POSITION

31 December 2017

	Note	The Group 2017 $'000	The Group 2016 $'000	The Company 2017 $'000	The Company 2016 $'000
ASSETS					
Current assets					
Cash and bank balances	6	18,328	14,721	1,464	2,291
Held-for-trading investments	7	7,706	6,268	1,272	599
Available-for-sale investments	8	9,053	8,119	2,086	1,720
Trade receivables	9	3,542	3,629	1,288	1,130
Other receivables, deposits and prepaid expenses	10	1,449	1,363	107	216
Inventories		861	770	108	45
Income tax recoverable		11	4	–	–
Total current assets		40,950	34,874	6,325	6,001
Non-current assets					
Subsidiaries	11	–	–	180,585	169,130
Available-for-sale investments	8	4,268	3,435	1,186	1,055
Other asset	12	830	1,147	–	–
Goodwill	13	1,875	1,829	–	–
Property, plant and equipment	14	605,718	590,216	245,610	243,772
Investment properties	15	91,222	94,390	23,638	24,022
Total non-current assets		703,913	691,017	451,019	437,979
Total assets		744,863	725,891	457,344	443,980
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	16	16,929	13,805	–	–
Trade payables		3,274	3,587	2,021	2,036
Other payables	17	5,964	4,580	2,515	2,249
Current portion of finance lease	18	–	42	–	–
Income tax payable		2,564	2,591	1,444	1,156
Total current liabilities		28,731	24,605	5,980	5,441

	Note	The Group		The Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Non-current liabilities					
Other payables	17	1,733	95	23,890	23,274
Retirement benefit obligations	19	773	663	–	–
Long-term bank loans	20	135,842	137,858	74,064	66,864
Deferred tax liabilities	21	19,450	19,803	750	562
Total non-current liabilities		157,798	158,419	98,704	90,700
Capital and reserves					
Share capital	22	100,438	100,438	100,438	100,438
Asset revaluation reserve		364,577	354,185	213,108	210,108
Employee benefit reserve		180	198	–	–
Fair value reserve		3,707	2,075	759	465
Translation reserve		(12,870)	(12,960)	–	–
Retained earnings		102,302	98,931	38,355	36,828
Total equity		558,334	542,867	352,660	347,839
Total liabilities and equity		744,863	725,891	457,344	443,980

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Note	The Group 2017 $'000	The Group 2016 $'000
Revenue	23	61,483	58,704
Cost of sales		(30,326)	(27,816)
Gross profit		31,157	30,888
Distribution costs		(1,126)	(961)
Administrative expenses		(12,892)	(13,693)
Other income	24	1,941	1,985
Other expenses		(3,382)	(2,649)
Finance costs	25	(4,498)	(4,644)
Profit before income tax	26	11,200	10,926
Income tax expense	27	(3,629)	(3,191)
Profit for the year attributable to owners of the Company		7,571	7,735
Basic earnings per share	28	9.01 cents	9.21 cents

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	The Group 2017 $'000	The Group 2016 $'000
Profit for the year		7,571	7,735
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Increase in valuation of freehold land - hotels	14	10,295	1,890
Deferred tax relating to revaluation on freehold land		97	(65)
Total		10,392	1,825
Items that may be reclassified subsequently to profit or loss			
Available-for-sale investments:			
Fair value gain recognised in fair value reserve		2,321	384
Transfer from fair value reserve to profit or loss upon disposal of available-for-sale investments		(689)	(39)
Re-measurement of defined benefit obligation		(18)	27
Exchange differences on translation of foreign operations		90	1,663
Total		1,704	2,035
Other comprehensive income for the year, net of tax		12,096	3,860
Total comprehensive income for the year attributable to owners of the Company		19,667	11,595

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

	Share capital $'000	Asset revaluation reserve $'000	Employee benefit reserve $'000	Fair value reserve $'000	Translation reserve $'000	Retained earnings $'000	Total $'000
The Group							
Balance at 1 January 2016	100,438	352,360	171	1,730	(14,623)	95,396	535,472
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	7,735	7,735
Other comprehensive income for the year	–	1,825	27	345	1,663	–	3,860
Total	–	1,825	27	345	1,663	7,735	11,595
Transactions with owners, recognised directly in equity							
Final dividends (Note 33)	–	–	–	–	–	(4,200)	(4,200)
Balance at 31 December 2016	100,438	354,185	198	2,075	(12,960)	98,931	542,867
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	7,571	7,571
Other comprehensive income for the year	–	10,392	(18)	1,632	90	–	12,096
Total	–	10,392	(18)	1,632	90	7,571	19,667
Transactions with owners, recognised directly in equity							
Final dividends (Note 33)	–	–	–	–	–	(4,200)	(4,200)
Balance at 31 December 2017	100,438	364,577	180	3,707	(12,870)	102,302	558,334

See accompanying notes to financial statements.

	Share capital $'000	Asset revaluation reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
The Company					
Balance at 1 January 2016	100,438	210,108	460	34,066	345,072
Profit for the year, representing total comprehensive income for the year	–	–	5	6,962	6,967
Transactions with owners, recognised directly in equity					
Final dividends (Note 33)	–	–	–	(4,200)	(4,200)
Balance at 31 December 2016	100,438	210,108	465	36,828	347,839
Profit for the year, representing total comprehensive income for the year	–	3,000	294	5,727	9,021
Transactions with owners, recognised directly in equity					
Final dividends (Note 33)	–	–	–	(4,200)	(4,200)
Balance at 31 December 2017	100,438	213,108	759	38,355	352,660

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	The Group	
	2017	2016
	$'000	$'000
Operating activities		
Profit before income tax	11,200	10,926
Adjustments for:		
Allowance for doubtful receivables	77	84
Bad debt expense	33	–
Depreciation expense	9,023	8,887
Dividend income	(448)	(378)
Fair value (gain) loss on held-for-trading investments	(46)	84
Gain on disposal of available-for-sale investments	(689)	(54)
Loss (Gain) on disposal of property, plant and equipment	12	(73)
Impairment loss on available-for-sale investments	16	254
Impairment loss on leasehold land and building	775	–
Interest expense	4,498	4,644
Interest income	(67)	(134)
Write back of allowance for doubtful receivables	(150)	(183)
Reversal of impairment loss on investment property	–	(285)
Reversal of impairment loss on hotel building	–	(813)
Allowance for diminution in value of unquoted investment	–	15
Operating cash flows before movements in working capital	24,234	22,974
Available-for-sale investments	–	(127)
Held-for-trading investments	(1,392)	(2,609)
Inventories	(91)	2
Trade and other payables	2,022	(573)
Trade and other receivables	408	697
Cash generated from operations	25,181	20,364
Dividend received	448	378
Interest paid	(4,498)	(4,644)
Interest received	67	134
Income tax paid	(3,385)	(2,970)
Net cash from operating activities	17,813	13,262

	The Group	
	2017	2016
	$'000	$'000
Investing activities		
Additions to investment properties	(899)	(139)
Additions to property, plant and equipment (Note A)	(9,217)	(5,529)
Proceeds from disposal of available-for-sale investments	3,396	1,108
Proceeds from disposal of property, plant and equipment	100	156
Purchase of available-for-sale investments	(2,858)	(740)
Net cash used in investing activities	(9,478)	(5,144)
Financing activities		
Dividends paid	(4,200)	(4,200)
Fixed deposits pledged to banks	(448)	8
Proceeds from bank loans	8,761	11,911
Repayment of bank loans	(9,044)	(17,934)
Repayment of finance lease	(42)	(43)
Net cash used in financing activities	(4,973)	(10,258)
Net increase (decrease) in cash and cash equivalents	3,362	(2,140)
Cash and cash equivalents at beginning of year	14,089	16,397
Effect of currency exchange adjustment	(203)	(168)
Cash and cash equivalents at end of year (Note 6)	17,248	14,089

Note A

In year 2016, the Group acquired property, plant and equipment with aggregate cost of $5.579 million of which $50,000 was acquired under finance lease agreement.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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").

The 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 2017 were authorised for issue by the board of directors on 23 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In financial reporting, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2017, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

Adoption of a new financial reporting framework in 2018 - In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after 1 January 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending 31 December 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SFRS(I) 1.

Management will be electing the option to reset the translation reserve to zero as at date of transition that will result in material adjustments on transition to the new framework. Translation reserve of the Group as at 1 January 2017 will be reset to zero upon transfer of the debit balances of translation reserve of $12,960,000 to retained earnings as at 1 January 2017.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at 31 December 2018, they may impact the disclosures of estimated effects described below.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New SFRS(I) and SFRS(I) INT yet to be adopted

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

- SFRS(I) 9 *Financial Instruments*[1]
- SFRS(I) 15 *Revenue from Contracts with Customers (with clarifications issued)*[1]
- SFRS(I) 16 *Leases*[2]
- SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures*[1]
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*[1]

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

[2] *Applies to annual periods beginning on or after 1 January 2019, with early application permitted if SFRS(I) 15 is adopted.*

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

Management has not opted to early adopt any of the above new or amended SFRS(I).

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 9 *Financial Instruments* (cont'd)

Management evaluated the potential effect of the above changes based on the existing profile of financial instruments as follows:

(i) Debt investments held in portfolios managed by external fund managers are classified as held for trading will continue to be FVTPL;

(ii) At 31 December 2017, there were no debt investments held as available for sale which would qualify for FVTOCI upon adoption of SFRS(I) 9; and

(iii) The expected credit loss model will result in a change in timing and basis of estimating doubtful debts. Historically, the Group has low incidence of doubtful debt from hotel operations and future change to the expected credit risk model is not expected to have a significant effect on operating results.

The Group currently has no financial derivatives subject to hedge accounting.

Management will continue to evaluate the potential effect of SFRS(I) 9 if necessitated by changes in the profile of financial instruments, customers or payment modes in future.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Based on the existing sources and nature of revenue for the Group and the Company, management does not expect the application of these amendments to SFRS(I) 15 to have a significant impact on the financial statements of the Group and of the Company in the period of initial application.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

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

The Group currently does not have any significant lease to which the above lessee accounting applies. SFRS(I) 16 will not impact the Group's accounting as a lessor.

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.

The Company 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 or through rights arising from other contractual arrangements.

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* 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 FRS 12 *Income Taxes* and FRS 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 FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *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 FRS.

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.

<u>Effective interest method</u>
The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts to present value, the estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit or loss".

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

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

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held-for-trading or it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held-for-trading 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 asset 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 Company'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 FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Available-for-sale financial assets

Certain shares held by the Group are classified as available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 4 (vi). Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of any impairment loss and foreign exchange gains and losses which are recognised directly in profit or loss. Where the investment is disposed or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in the fair value reserve is reclassified in profit or loss for the period. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date.

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment losses recognised when the investment's carrying amount exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss, is recognised directly in other comprehensive income.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income. In respect of available-for-sale debt instruments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

<u>Derecognition of financial assets</u>

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the assets 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.

<u>Cash and cash equivalents</u>

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term receivables when the recognition of interest would be immaterial.

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

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

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred in negotiating and arranging an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Hotel room revenue is recognised daily based on room occupancy. Where the daily room rate entitles guests to meals without additional charges, the room rate is allocated between room revenue and food and beverage revenue. Other hotel related revenue are recognised when the goods are delivered or the services are rendered to the customers.

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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 Malaysian operate unfunded, defined benefit 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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.

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 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.

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>

The carrying amounts of investments in subsidiaries, including additional funds provided to subsidiaries and deemed investments are disclosed in Note 11. Management has evaluated whether there is any indication of impairment by considering both internal and external sources of information, and are satisfied that the carrying amounts of investments are recoverable.

<u>Freehold hotel land at revalued amounts (Note 14)</u>

The valuation for freehold land involves significant judgement 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 but adjusted for differences such as location, size, configuration and accessibility.

Other freehold land are valued using the residual approach. 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.

A small change to any of the inputs can have a significant impact on the valuation of each of the properties. Additional information about inputs are described in Note 14.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Useful lives of investment properties and property, plant and equipment

Depreciation is provided to write off the cost of investment properties (Note 15) and property, plant and equipment (Note 14) over their estimated useful lives, using the straight-line method. Management exercises judgement in estimating the useful lives of the depreciable assets which take into consideration the physical conditions of the assets, including structural reports from third party engineers, their lease term where applicable, and the Group's intent for maintenance and upgrade when necessary to maintain the physical and economic viability of buildings.

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial assets				
Fair value through profit or loss (FVTPL):				
Held-for-trading investments	7,706	6,268	1,272	599
Loans and receivables (including cash and bank balances)	22,303	18,871	117,458	108,048
Available-for-sale investments	13,321	11,554	3,272	2,775
Financial liabilities				
Amortised cost	163,742	159,967	100,239	92,614
Financial guarantee	–	–	2,251	1,809

(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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Exposure to financial risks

(i) Credit risk

The Group's credit risk is primarily attributable to its cash and bank balances, trade and other receivables and investments. Cash, fixed deposits and certain investments (Notes 7 and 8) 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.

(ii) Interest rate risk

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 profit would decrease/increase by approximately $0.8 million (2016: decrease/increase by approximately $0.8 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

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 Assets		The Company Assets	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
United States dollar	8,627	4,951	2,146	1,150
Euro	997	521	–	–
Australian dollar	492	588	–	–
British pound	181	137	–	–
Malaysian ringgit	372	352	–	–
Hong Kong dollar	777	691	361	327
Thai baht	96	91	96	91

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Exposure to financial risks (cont'd)

(iii) Foreign currency risk (cont'd)

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.

If the relevant foreign currency strengthens or weakens by 5% against the functional currency of each Group entity:

(a) Profit will increase or decrease respectively by approximately:

	The Group	
	2017	**2016**
	$'000	**$'000**
Impact arising from		
Thai baht	5	–
Hong Kong dollar	17	–
United States dollar	169	96
Australian dollar	20	20

(b) Other comprehensive income will increase or decrease respectively by approximately:

	The Group	
	2017	**2016**
	$'000	**$'000**
Impact arising from		
Australian dollar	5	–
British pound	9	–
United States dollar	262	151
Euro	50	26
Hong Kong dollar	22	32
Malaysian ringgit	19	18

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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Exposure to financial risks (cont'd)

(iii) Foreign currency risk (cont'd)

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	
	2017	**2016**
	%	**%**
Malaysia	9	9
New Zealand	8	8
Thailand	14	14

(iv) Price risk

The Group is exposed to price risks arising from its investments classified as held-for-trading and available-for-sale (Notes 7 and 8). These investments include equity shares, and instruments whose fair values are subject to volatility in equity and bond prices. 10% is the sensitivity rate used for assessing price risk internally.

Price sensitivity

If prices of investments at the reporting date had been 10% higher or lower while all other variables were held constant:

- the Group's profit would increase or decrease by approximately \$0.8 million (2016 : \$0.6 million) respectively for price changes affecting held-for-trading investments; and

- the Group's other comprehensive income would increase or decrease by approximately \$1.3 million (2016 : \$1.2 million) respectively for price changes affecting available-for-sale investments.

(v) Liquidity risk

At the end of the year, the Group and the Company have unutilised credit facilities totaling \$172.9 million (2016 : \$184.3 million) and \$75.8 million (2016 : \$83.0 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Exposure to financial risks (cont'd)

(v) Liquidity risk (cont'd)

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.

	Weighted average effective interest rate		On demand or within 1 year		Within 2 to 5 years		Adjustment		Total	
	2017 %p.a.	2016 %p.a.	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial Liabilities										
The Group										
Non-interest bearing	NA	NA	9,238	8,167	1,733	95	–	–	10,971	8,262
Finance lease liability (Fixed rate)	–	4.26	–	43	–	–	–	(1)	–	42
Variable interest rate instruments	2.66	2.75	17,239	14,921	140,690	138,964	(5,158)	(2,222)	152,771	151,663
The Company										
Non-interest bearing	NA	NA	4,536	4,285	–	–	–	–	4,536	4,285
Variable interest rate instruments	2.07	1.90	2,106	1,776	106,377	97,243	(10,529)	(8,881)	97,954	90,138

NA: not applicable.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Exposure to financial risks (cont'd)

(v) Liquidity risk (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	
	2017 % p.a.	2016 % p.a.	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial Assets										
The Group										
Non-interest bearing	NA	NA	37,362	32,031	4,268	3,435	–	–	41,630	35,466
Fixed interest rate instruments	2.71	2.51	1,722	1,246	–	–	(22)	(19)	1,700	1,227
The Company										
Non-interest bearing	NA	NA	6,212	5,909	1,186	1,055	–	–	7,398	6,964
Variable interest rate instruments	3.17	3.18	1,691	1,593	121,369	110,829	(8,456)	(7,964)	114,604	104,458

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

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.

(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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
The Group				
Held-for-trading investments				
- Quoted bonds	4,487	1,533	–	–
- Quoted fixed income funds	3,183	2,295	–	–
- Quoted commodity index	–	100	–	–
- Unquoted managed funds	–	–	36	2,340
Available-for-sale investments				
- Quoted equity shares	12,825	11,058	–	–
- Unquoted equity shares	–	–	496	496
The Company				
Held-for-trading investments				
- Quoted bonds	1,239	515	–	–
- Unquoted managed funds	–	–	33	84
Available-for-sale investments				
- Quoted equity shares	2,776	2,279	–	–
- Unquoted equity shares	–	–	496	496

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Exposure to financial risks (cont'd)

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. There is no investment falling within Level 2 of the fair value hierarchy.

Reconciliation of movements in Level 3 financial assets:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Balance brought forward	2,340	116	84	107
Purchases	–	2,248	–	–
Disposals	(2,254)	–	–	–
Fair value movement	(46)	(26)	(46)	(23)
Exchange difference	(4)	2	(5)	–
Ending balance	36	2,340	33	84

(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 and leases (Notes 16, 18 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.

Information on aggregate debts as a ratio of total assets and equity are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Total debt	152,771	151,705
Total assets	744,863	725,891
Total equity	558,334	542,867
Debt-to-total assets ratio	21%	21%
Debt-to-total equity ratio	27%	28%

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

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	
	2017	**2016**
	$'000	**$'000**
Short-term benefits	779	887
Post-employment benefits	10	30
	789	917

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	
	2017	**2016**
	$'000	**$'000**
Fees paid to a medical practice owned by a director	43	88
Rental allowance paid to key management personnel	–	4
Commission paid to a related party for property management services	31	35
Rental income collected from a related party*	–	(11)
Sales of food and beverage to a related party*	(13)	(8)
Advertising expenses paid to a related party*	20	6

* Entities in which certain directors of the Company have equity interest, hold significant influence and are key management personnel of the entities.

6 CASH AND BANK BALANCES

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash on hand	166	156	74	63
Cash at bank	16,462	13,338	1,390	2,228
Fixed deposits	1,700	1,227	–	–
Total	18,328	14,721	1,464	2,291
Less: Fixed deposits pledged	(1,080)	(632)	–	–
Cash and cash equivalents	17,248	14,089	1,464	2,291

Fixed deposits of a subsidiary are pledged for a loan facility (Note 20).

Fixed deposits earn interest ranging from 1.95% to 3.00% (2016 : 1.95% to 3.30%) per annum and for terms ranging from 30 to 270 days (2016 : 30 to 270 days) for the Group.

7 HELD-FOR-TRADING INVESTMENTS

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Quoted bonds	4,487	1,533	1,239	515
Quoted fixed income funds	3,183	2,295	–	–
Quoted commodity index	–	100	–	–
Unquoted managed funds	36	2,340	33	84
	7,706	6,268	1,272	599

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.

8 AVAILABLE-FOR-SALE INVESTMENTS

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current assets				
Quoted equity shares	9,053	8,119	2,086	1,720
Non-current assets				
Quoted equity shares	3,772	2,939	690	559
Unquoted equity share				
- at cost	496	496	496	496
	4,268	3,435	1,186	1,055
Total	13,321	11,554	3,272	2,775

The investments above offer the Group the opportunity for return through dividend income and fair value gains.

The available-for-sale investments presented as current assets are those held in investment accounts managed on behalf of the Group by professional fund managers and subject to changes in components of investments within the portfolio. The available-for-sale investments presented as non-current assets are those managed directly by the Group and are held for long term investments.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

9 TRADE RECEIVABLES

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables	3,735	3,930	1,325	1,316
Related parties [(1)]	20	27	–	–
	3,755	3,957	1,325	1,316
Less: Allowance for doubtful receivables	(213)	(328)	(37)	(186)
	3,542	3,629	1,288	1,130

(1) Entities in which certain directors of the Company have equity interest, hold significant influence and are key management personnel of the entities.

The credit period granted to customers is generally 30 days (2016 : 30 days). No interest is charged on any overdue trade receivables.

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.

The allowance for estimated irrecoverable amount has been determined based on on-going evaluation of recoverability and aging analysis of individual receivables. The age of receivables past due but not impaired amounting to $1.4 million (2016 : $1.6 million) ranges from 31 to 60 days (2016 : 31 to 60 days). In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management believes that no further allowance is required. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful trade receivables:

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance at beginning of the year	328	428	186	360
Increase in allowance	77	84	–	–
Write-back of allowance	(150)	(183)	(105)	(174)
Bad debt written off	(45)	–	(44)	–
Exchange adjustment	3	(1)	–	–
Balance at end of the year	213	328	37	186

10 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Outside parties	387	406	74	160
Refundable deposits	353	449	–	–
Prepaid expenses	709	508	33	56
	1,449	1,363	107	216

11 SUBSIDIARIES

	The Company	
	2017	2016
	$'000	$'000
Unquoted equity shares - at cost	56,564	56,564
Additional funds provided to subsidiaries	114,632	104,467
Deemed investment in subsidiaries arising from fair value of corporate guarantees given to banks which extend credit facilities to the subsidiaries	9,389	8,099
	180,585	169,130

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

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
		2017	2016	2017	2016	
		%	%	%	%	
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
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)

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 $114.6 million (2016: $104.5 million) bear interest ranging from 1.89% to 3.35% (2016 : 1.8% to 3.34%) 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 ASSET

	The Group	
	2017	**2016**
	$'000	**$'000**
Lease incentives	1,027	1,366
Less: Current portion included in trade receivables	(307)	(334)
Non-current portion	720	1,032
Deposits	110	115
	830	1,147

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.

Deposits represent payments made to suppliers for the purchase of property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

13 GOODWILL

	The Group	
	2017	2016
	$'000	$'000
At beginning of the year	1,829	1,783
Exchange adjustment	46	46
At end of the year	1,875	1,829

Goodwill arises from the acquisition of hotel businesses and are identified with specific cash generating units ("CGU").

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

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.

The Group prepares cash flow forecasts derived from budgets approved by management and extrapolates cash flows for the following years based on long term growth rate of 2.00% to 3.00% (2016: 2.00% to 3.00%) per annum.

The rate used to discount the forecast cash flows to present values range is 10.00% to 10.50% (2016: 10.50% to 11.00%) per annum.

As at 31 December 2017, 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

The Group	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	Total $'000
Cost or valuation:							
As at 1 January 2016	442,486	742	133,750	9,401	48,991	925	636,295
Additions	–	–	–	371	5,207	1	5,579
Disposals	–	–	–	(17)	(1,195)	–	(1,212)
Revaluation gain	1,890	–	–	–	–	–	1,890
Exchange adjustment	356	(17)	356	95	(88)	16	718
As at 31 December 2016	444,732	725	134,106	9,850	52,915	942	643,270
Additions	–	2,651	2,399	2,531	1,633	3	9,217
Disposals	–	–	–	–	(189)	–	(189)
Revaluation gain	10,295	–	–	–	–	–	10,295
Exchange adjustment	1,656	91	2,300	6,708	(5,809)	26	4,972
As at 31 December 2017	456,683	3,467	138,805	19,089	48,550	971	667,565
Comprising:							
31 December 2017							
At valuation	456,683	–	–	–	–	–	456,683
At cost	–	3,467	138,805	19,089	48,550	971	210,882
Total	456,683	3,467	138,805	19,089	48,550	971	667,565
31 December 2016							
At valuation	444,732	–	–	–	–	–	444,732
At cost	–	725	134,106	9,850	52,915	942	198,538
Total	444,732	725	134,106	9,850	52,915	942	643,270

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

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	Total $'000
The Group							
Accumulated depreciation:							
As at 1 January 2016	–	15	16,959	3,674	25,578	432	46,658
Charge for the year	–	15	1,806	509	5,247	21	7,598
Disposals	–	–	–	–	(1,129)	–	(1,129)
Exchange adjustment	–	(1)	(62)	13	(27)	4	(73)
As at 31 December 2016	–	29	18,703	4,196	29,669	457	53,054
Charge for the year	–	44	1,821	1,269	4,493	102	7,729
Disposals	–	–	–	–	(77)	–	(77)
Exchange adjustment	–	2	167	1,744	(1,512)	(56)	345
As at 31 December 2017	–	75	20,691	7,209	32,573	503	61,051
Accumulated impairment loss:							
As at 1 January 2016	–	–	829	–	–	–	829
Reversal of impairment loss	–	–	(813)	–	–	–	(813)
Exchange adjustment	–	–	(16)	–	–	–	(16)
As at 31 December 2016	–	–	–	–	–	–	–
Charge for the year	–	390	385	–	–	–	775
Exchange adjustment	–	11	10	–	–	–	21
As at 31 December 2017	–	401	395	–	–	–	796
Carrying amount:							
As at 31 December 2017	456,683	2,991	117,719	11,880	15,977	468	605,718
As at 31 December 2016	444,732	696	115,403	5,654	23,246	485	590,216

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land - hotels $'000	Hotel buildings $'000	Building improvements - hotels $'000	Plant and equipment $'000	Linen, china glassware, silver and uniform $'000	Total $'000
The Company						
Cost or valuation:						
As at 1 January 2016	232,000	7,985	3,117	22,245	398	265,745
Additions	–	–	132	2,135	–	2,267
Disposals	–	–	–	(8)	–	(8)
As at 31 December 2016	232,000	7,985	3,249	24,372	398	268,004
Additions	–	–	–	433	–	433
Disposals	–	–	–	(13)	–	(13)
Revaluation gain	3,000	–	–	–	–	3,000
As at 31 December 2017	235,000	7,985	3,249	24,792	398	271,424
Comprising:						
31 December 2017						
At valuation	235,000	–	–	–	–	235,000
At cost	–	7,985	3,249	24,792	398	36,424
Total	235,000	7,985	3,249	24,792	398	271,424
31 December 2016						
At valuation	232,000	–	–	–	–	232,000
At cost	–	7,985	3,249	24,372	398	36,004
Total	232,000	7,985	3,249	24,372	398	268,004
Accumulated depreciation:						
As at 1 January 2016	–	7,042	3,117	12,296	217	22,672
Charge for the year	–	28	4	1,536	–	1,568
Disposals	–	–	–	(8)	–	(8)
As at 31 December 2016	–	7,070	3,121	13,824	217	24,232
Charge for the year	–	27	13	1,551	–	1,591
Disposals	–	–	–	(9)	–	(9)
As at 31 December 2017	–	7,097	3,134	15,366	217	25,814
Carrying amount:						
As at 31 December 2017	235,000	888	115	9,426	181	245,610
As at 31 December 2016	232,000	915	128	10,548	181	243,772

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Property, plant and equipment of the Group and the Company with carrying amounts of $589.3 million and $236.0 million (2016: $566.5 million and $233.0 million) respectively are pledged as securities for the Group's and the Company's bank loans as disclosed in Notes 16 and 20.

In 2016, the carrying amount of the Group's plant and equipment included an amount of $0.2 million in respect of assets held under finance lease.

In 2017, the Group carried out a review of the recoverable amount of its leasehold land and building. The review led to the recognition of an impairment loss of $0.8 million based on valuation performed by independent appraiser, C H Williams Talhar & Wong Sdn Bhd on open market basis as at 31 December 2017.

In 2016, the Group carried out a review of the recoverable amount of its freehold buildings. The review led to the reversal of an impairment loss of $0.8 million due to the appreciation in the market value of the property, plant and equipment. The recoverable amount was based on valuation performed by independent appraiser, American Appraisal (Thailand) Ltd. on open market basis as at 31 December 2016.

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 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. The estimated fair values as at the end of each reporting period of the Group's freehold land are as follows:

	2017 $'000	2016 $'000
The Group		
Freehold land:		
Singapore	388,000	378,300
Malaysia	27,068	28,312
Thailand	41,615	38,120
The Company		
Freehold land	235,000	232,000

As at 31 December 2017, had freehold hotel land been carried at historical cost, their aggregate carrying amount would have been approximately $73.1 million (2016 : $73.1 million) for the Group and $1.0 million (2016 : $1.0 million) for the Company.

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

At 31 December 2017 and 2016, 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 as at 31 December 2017 and 2016 are as follows:

	Valuation Methodology	Significant unobservable inputs (Level 3)	Inputs 2017	Inputs 2016
Freehold land and hotel buildings in Singapore	Income capitalisation for land and building	Occupancy rate [1]	80% to 90%	80% to 90%
		Room rate per day [1]	$126 to $150	$128 to $155
		Capitalisation rate [2]	4.50%	4.50%
	Residual method for land	Depreciated replacement cost per room [1]	$220,000 to $335,000	$220,000 to $335,000
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	$13,875	$12,911
		- Penang	$2,517	$2,940
		- Baba Residences (including Baba Mansion)	$2,608	$2,401
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	$13,325	$11,000
		- Phuket	$3,258	$3,250

(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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

15 INVESTMENT PROPERTIES

	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Total $'000
The Group				
Cost:				
As at 1 January 2016	31,011	75,395	1,456	107,862
Additions	–	139	–	139
Exchange adjustment	408	1,769	–	2,177
As at 31 December 2016	31,419	77,303	1,456	110,178
Additions	–	899	–	899
Exchange adjustment	(621)	(2,751)	–	(3,372)
As at 31 December 2017	30,798	75,451	1,456	107,705
Accumulated depreciation:				
As at 1 January 2016	–	13,554	531	14,085
Charge for the year	–	1,271	18	1,289
Exchange adjustment	–	414	–	414
As at 31 December 2016	–	15,239	549	15,788
Charge for the year	–	1,276	18	1,294
Exchange adjustment	–	(599)	–	(599)
As at 31 December 2017	–	15,916	567	16,483
Impairment:				
As at 1 January 2016	–	285	–	285
Reversal of impairment loss	–	(285)	–	(285)
As at 31 December 2016 and 2017	–	–	–	–
Carrying amount:				
As at 31 December 2017	30,798	59,535	889	91,222
As at 31 December 2016	31,419	62,064	907	94,390

Certain investment properties of the Group with carrying amounts of $68.6 million (2016: $71.1 million) are pledged as securities for the Group's bank loans (Notes 16 and 20).

In 2016, the reversal of past impairment loss allowance of $0.3 million resulted from appreciation in the market value of the freehold investment property. With the reversal, the carrying amount is equivalent to cost less accumulated depreciation. The valuation at 31 December 2016 by an independent professional valuer, Savills Valuation and Professional Services (S) Pte Ltd was based on the direct comparison method.

The property rental income from the Group's investment properties amounted to $8.8 million (2016 : $8.7 million). Direct operating expenses (including repairs and maintenance) for the occupied investment properties and vacant properties amounted to $3.8 million (2016 : $4.1 million) and $0.7 million (2016: $0.8 million) respectively.

Investment properties are recorded at cost less accumulated depreciation. Fair value increases/decreases are not recognised for investment properties. The following estimates of fair values of investment properties are provided as information.

15 INVESTMENT PROPERTIES (cont'd)

Estimated fair values of investment properties

	2017 $'000	2016 $'000
Freehold land and buildings in New Zealand	55,713	62,441
Freehold land and buildings in Malaysia	27,661	26,990
Freehold buildings in Singapore	6,750	7,290
Leasehold buildings in Singapore	7,800	8,700
Freehold land and building in Singapore	31,612	29,322
	129,536	134,743

Fair values of 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.

At 31 December 2017 and 2016, 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 as at 31 December 2017 and 2016 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)]
	Replacement Cost Method for building (for determining residual value of land)	Depreciated replacement cost per square metre [(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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

15 INVESTMENT PROPERTIES (cont'd)

	Freehold land $'000	Freehold buildings $'000	Total $'000
The Company			
Cost:			
As at 1 January 2016 and 31 December 2016	15,080	10,909	25,989
Additions	–	2	2
As at 31 December 2017	15,080	10,911	25,991
Accumulated depreciation:			
As at 1 January 2016	–	1,546	1,546
Charge for the year	–	421	421
As at 31 December 2016	–	1,967	1,967
Charge for the year	–	386	386
As at 31 December 2017	–	2,353	2,353
Carrying amount:			
As at 31 December 2017	15,080	8,558	23,638
As at 31 December 2016	15,080	8,942	24,022

16 BANK LOANS

	The Group	
	2017 $'000	2016 $'000
Short-term bank loans (secured)	3,514	6,649
Long-term bank loans (secured)		
- current portion (Note 20)	13,415	7,156
	16,929	13,805

Short term bank loans of the Group bear variable interest ranging from approximately 1.79% to 4.67% (2016: 2.03% to 3.9%) 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.

17 OTHER PAYABLES

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Outside parties	7,697	4,675	264	440
Subsidiaries	–	–	23,890	23,274
Financial guarantee contract liabilities	–	–	2,251	1,809
	7,697	4,675	26,405	25,523
Less: Amount payable within 12 months (shown under current liabilities)	(5,964)	(4,580)	(2,515)	(2,249)
Amount payable after 12 months	1,733	95	23,890	23,274

Other payables comprise mainly amounts outstanding for ongoing costs.

Amounts owing to subsidiaries are unsecured and bear interest at 1.89% (2016: 1.80%) per annum.

18 FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Amount payable under finance lease:				
Within one year	–	44	–	42
In the second to fifth year inclusive	–	(1)	–	–
	–	43	–	42
Less: Future finance charges	–	(1)	NA	NA
Present value of lease obligations	–	42	–	42
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(42)
Amount due for settlement after 12 months			–	–

The lease terms range from 3 to 5 years. Average effective interest rate approximates 5.25% per annum. Interest rates are fixed on inception of leases and there are no contingent rental payments. The finance lease has been fully repaid during the year.

The fair values of the Group's lease obligations approximate their carrying amounts.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

19 RETIREMENT BENEFIT OBLIGATIONS

The subsidiaries operate unfunded, defined benefit retirement benefit schemes (the "Schemes") in Malaysia and 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 Malaysian and Thailand employees respectively, multiplied by the years of service on attainment of the normal retirement age of 55 years old in Thailand and 60 years old in Malaysia.

The amounts recognised in the statement of financial position are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Present value of unfunded defined benefit obligations	773	663
Payable:		
Within 1 year	78	14
Later than 1 year but not later than 2 years	81	42
Later than 2 years but not later than 5 years	384	104
Later than 5 years	230	503
	773	663

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 as at 31 December 2017 for subsidiaries in Malaysia and Thailand have been valued by qualified independent actuaries in December 2017. 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	
	2017	**2016**
	%	**%**
Discount rate	2.75 to 5.25	2.25 to 5.25
Expected rate of salary increases	3.0 to 6.0	3.0 to 6.0

20 LONG-TERM BANK LOANS

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Bank Loans	149,257	145,014	74,064	66,864
Less: Amount due for settlement within 12 months (Note 16)	(13,415)	(7,156)	–	–
Amount due for settlement after 12 months	135,842	137,858	74,064	66,864

During the year, the Group's and the Company's long term bank loans bear interest ranging from 1.79% to 4.67% (2016: 1.85% to 5.04%) per annum.

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Movement in deferred tax balance during the year				
Balance at beginning of year	19,803	19,549	562	724
Arising from revaluation of freehold hotel land	(97)	65	–	–
Origination of temporary differences	167	(248)	188	(162)
Under (Over) provision in prior year	111	(86)	–	–
Exchange adjustment	(534)	523	–	–
Balance at end of year	19,450	19,803	750	562

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

21 DEFERRED TAX LIABILITIES (cont'd)

Components of deferred tax balance	Accelerated tax depreciation $'000	Others $'000	Total $'000
The Group			
At 1 January 2016	14,633	4,916	19,549
Arising from revaluation of freehold hotel land	–	65	65
Credit to profit or loss for the year	(62)	(272)	(334)
Exchange adjustment	–	523	523
At 31 December 2016	14,571	5,232	19,803
Arising from revaluation of freehold hotel land	–	(97)	(97)
Charge to profit or loss for the year	167	111	278
Exchange adjustment	–	(534)	(534)
At 31 December 2017	14,738	4,712	19,450

	Accelerated tax depreciation $'000
The Company	
At 1 January 2016	724
Debit to profit or loss for the year	(162)
At 31 December 2016	562
Charge to profit or loss for the year	188
At 31 December 2017	750

Subsidiaries have unutilised tax losses and capital allowances carryforward of approximately $42.3 million (2016: $38.9 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 2016 and 31 December 2017, 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 SHARE CAPITAL

	The Group and the Company			
	2017	2016	2017	2016
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully paid:				
At beginning and end of year	84,000	84,000	100,438	100,438

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.

23 REVENUE

	The Group	
	2017	2016
	$'000	$'000
Room revenue	36,184	35,087
Food and beverage revenue	9,840	8,712
Spa revenue	1,281	1,010
Rental income from:		
Investment properties	8,769	8,706
Premises within hotels	2,973	2,892
Car park revenue	1,297	1,399
Interest income from fixed deposits and investments	67	134
Dividend income from:		
Quoted equity investments	408	343
Unquoted equity investments	40	35
Others	624	386
	61,483	58,704

24 OTHER INCOME

	The Group	
	2017	2016
	$'000	$'000
Gain on disposal of available-for-sale investments	689	54
Gain on disposal of property, plant and equipment	–	73
Fair value gain on held-for-trading investments	46	–
Foreign exchange adjustment gain	606	438
Write back of allowance for doubtful receivables	150	183
Reversal of impairment loss on investment property	–	285
Reversal of impairment loss on hotel building	–	813
Other income	450	139
	1,941	1,985

25 FINANCE COSTS

	The Group	
	2017	2016
	$'000	$'000
Interest on bank loans	4,498	4,644

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

26 PROFIT BEFORE INCOME TAX

Profit before income tax includes:

	The Group	
	2017	2016
	$'000	$'000
Staff costs (including directors' remuneration)	15,247	13,788
Cost of defined contribution plans included in staff costs	867	474
Directors' remuneration:		
Directors of the subsidiaries (key management personnel)	442	633
Proposed directors' fee:		
Directors of the Company	226	200
Directors of the subsidiaries (key management personnel)	121	84
Audit fees paid to:		
Auditors of the Company	246	223
Other auditors	145	134
Non-audit fees paid to:		
Auditors of the Company	28	41
Other auditors	13	7
Depreciation of property, plant and equipment	7,729	7,598
Depreciation of investment properties	1,294	1,289
Loss (Gain) on disposal of:		
Property, plant and equipment*	12	(73)
Available-for-sale investments	(689)	(54)
Impairment loss on available-for-sale investments*	16	254
Impairment loss on leasehold land and building*	775	–
Allowance for doubtful receivables*	77	84
Allowance for doubtful receivables no longer required	(150)	(183)
Allowance for diminution in value of unquoted investment	–	15
Fair value (gain) loss on held-for-trading investments	(46)	84
Net foreign exchange adjustment gain	(157)	(271)
Bad debt expense*	33	–

* Included in other expenses in the consolidated statement of profit or loss.

27 INCOME TAX EXPENSE

	The Group	
	2017	2016
	$'000	$'000
Current tax	3,192	3,583
Withholding tax	148	115
Deferred tax	167	(248)
	3,507	3,450
Under (Over) provision in prior years		
- current tax	11	(173)
- deferred tax	111	(86)
	122	(259)
Total income tax expense	3,629	3,191

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% (2016 : 17%) to profit before income tax as a result of the following differences:

	The Group	
	2017	2016
	$'000	$'000
Income tax expense at 17% rate	1,904	1,857
Difference due to foreign tax rates	341	342
Non-deductible items	672	842
Withholding tax	148	115
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	606	447
Under (Over) provision in prior years	122	(259)
Tax exemption and rebate	(108)	(138)
Other items	(56)	(15)
Total income tax expense	3,629	3,191

28 EARNINGS PER SHARE

Basic earnings per share is calculated on the Group profit after tax of $7.571 million (2016 : $7.735 million) divided by 84,000,000 (2016 : 84,000,000) 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 operation")
- Owning and letting out investment properties ("property investment")
- Holding financial investments such as shares, bonds and funds to generate income through interest and dividends, and also for potential capital appreciation ("financial investment")

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 operation - information is reported on individual hotel basis
- Property investment - information is reported on individual property basis
- Financial investment - information is reported on overall performance of the investment portfolio

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

29 SEGMENT INFORMATION (cont'd)

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 operation
  - Singapore
  - Malaysia
  - Thailand

- Property investment
  - Singapore
  - New Zealand
  - Malaysia

- Financial investment

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, finance leases and tax liabilities are not allocated. Information regarding the Group's reportable segments is presented below:

I Revenue

	External		Inter-segment		Total	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Hotel operations						
Singapore	25,462	25,856	–	–	25,462	25,856
Malaysia	8,741	8,998	–	–	8,741	8,998
Thailand	17,187	13,692	–	–	17,187	13,692
	51,390	48,546	–	–	51,390	48,546
Property investments						
Singapore	1,397	1,809	117	116	1,514	1,925
New Zealand	7,270	6,997	–	–	7,270	6,997
Malaysia	911	839	–	–	911	839
	9,578	9,645	117	116	9,695	9,761
Financial investments	515	513	1,426	1,410	1,941	1,923
Segments total	61,483	58,704	1,543	1,526	63,026	60,230

29 SEGMENT INFORMATION (cont'd)

II Net profit

	Total 2017 $'000	Total 2016 $'000
Hotel operations		
Singapore	6,612	7,160
Malaysia	(1,767)	(1,346)
Thailand	4,614	3,410
	9,459	9,224
Property investments		
Singapore	1,092	1,739
New Zealand	3,632	3,691
Malaysia	658	726
	5,382	6,156
Financial investments*	857	190
Segments total	15,698	15,570
Finance costs	(4,498)	(4,644)
Profit before income tax	11,200	10,926
Income tax expense	(3,629)	(3,191)
Profit after income tax	7,571	7,735

* Inclusive of net gain on disposal of available-for-sale investments recorded in 'other income' (Note 24).

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

29 SEGMENT INFORMATION (cont'd)

III Segment assets and liabilities

	Segment assets		Segment liabilities	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Hotel operations				
Singapore	457,830	447,704	3,541	3,163
Malaysia	54,925	50,092	3,775	1,422
Thailand	107,029	103,240	3,401	3,312
	619,784	601,036	10,717	7,897
Property investments				
Singapore	27,166	30,155	166	198
New Zealand	59,348	60,078	523	490
Malaysia	14,860	14,376	318	319
	101,374	104,609	1,007	1,007
Financial investments	21,994	19,015	20	21
Segments total	743,152	724,660	11,744	8,925
Unallocated items	1,711	1,231	174,785	174,099
Consolidated total	744,863	725,891	186,529	183,024

IV Other segment information

	Depreciation		Additions to non-current assets	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Hotel operations				
Singapore	3,210	3,323	938	2,742
Malaysia	2,177	2,032	7,774	1,562
Thailand	2,342	2,220	505	1,086
	7,729	7,575	9,217	5,390
Property investments				
Singapore	444	468	–	189
New Zealand	676	663	897	139
Malaysia	174	181	2	–
	1,294	1,312	899	328
Consolidated total	9,023	8,887	10,116	5,718

29 SEGMENT INFORMATION (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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Singapore	27,364	28,136	482,587	452,381
Malaysia	9,662	9,869	67,167	84,596
New Zealand	7,270	7,007	53,539	56,683
Thailand	17,187	13,692	100,620	97,357
	61,483	58,704	703,913	691,017

30 OPERATING LEASE ARRANGEMENTS

<u>The Group and Company as lessor</u>

The Group and Company rents out its office premises and shop space under operating lease to third parties. The office premises and shop space held have committed tenancy ranging from 1 to 8 years.

At the end of the reporting period, the Group and Company have contracted with tenants for the following future minimum lease receipts for the following periods:

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Within one year	9,299	10,308	1,179	902
In the second to fifth years inclusive	13,847	21,841	270	586
After fifth year	3,863	3,770	–	–
	27,009	35,919	1,449	1,488

NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2017

31 CONTINGENT LIABILITIES

(a) Guarantees given

The Company is a guarantor for banking facilities totaling $114.5 million (2016: $112.4 million) obtained by subsidiaries. The fair values of the financial guarantee is about $2.2 million (2016: $1.8 million). The maximum amount that the Company could be obliged to settle in the event that the guarantees are called upon is $79.0 million (2016: $81.6 million) based on facilities used by the subsidiaries at the end of the year.

(b) Resolution of civil suit initiated by former hotel operator

In January 2009, Faber Kompleks Sdn. Bhd., a wholly-owned subsidiary of the Company was served with a notice of civil suit by the former hotel operator of Hotel Royal Penang, for alleged wrongly termination of its services.

On 17 December 2015, the Penang High Court dismissed the former hotel operator's claim in its entirety and ordered the former hotel operator to pay costs of RM50,000. The former hotel operator's appeal against this order was dismissed by the Court of Appeal on 29 June 2016.

32 CAPITAL EXPENDITURE COMMITMENTS

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	7,989	885	–	–

33 DIVIDENDS

In 2017, the Company declared and paid a first and final tax-exempt dividend of $0.05 per share on the ordinary shares of the Company totaling $4.2 million in respect of the financial year ended 31 December 2016.

In 2016, the Company declared and paid a first and final tax-exempt dividend of $0.05 per share on the ordinary shares of the Company totaling $4.2 million in respect of the financial year ended 31 December 2015.

Subsequent to 31 December 2017, the directors of the Company recommended that a first and final tax-exempt dividend be paid at $0.05 per ordinary share totaling $4.2 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 liability in these financial statements.

STATISTICS OF SHAREHOLDINGS

As at 22 March 2018

Issued and fully paid-up capital	:	S$100,729,496.00 **
No. of shares issued	:	84,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
No. of treasury shares and subsidiary holdings	:	Nil

** This is based on records kept with the Accounting & Corporate Regulatory Authority ("ACRA") and differs from the accounting records of the Company which is S$100,438,356 due to certain share issue expenses.

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 99	71	5.63	618	0.00
100 - 1,000	253	20.06	111,920	0.13
1,001 - 10,000	677	53.69	2,890,626	3.44
10,001 - 1,000,000	247	19.59	17,812,904	21.21
1,000,001 and above	13	1.03	63,183,932	75.22
Total	**1,261**	**100.00**	**84,000,000**	**100.00**

Based on the information provided and to the best knowledge of the Directors, approximately 21.42% of the issued ordinary shares of the Company is held in the hands of the public as at 22 March 2018 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

TOP TWENTY SHAREHOLDERS AS AT 22 MARCH 2018

Name of Shareholders	No. of Shares	% of Shares
Aik Siew Tong Ltd	9,766,000	11.63
The Great Eastern Life Assurance Co Ltd - Participating Fund	9,307,012	11.08
Hock Tart Pte Ltd	7,456,400	8.88
Oversea Chinese Bank Nominees Pte Ltd	7,059,500	8.40
Asia Building Berhad	6,875,400	8.19
Melodies Limited	5,480,000	6.52
The Singapore-Johore Express Pte Ltd	3,574,200	4.25
United Overseas Bank Nominees Pte Ltd	3,532,820	4.20
Maybank Nominees (S) Pte Ltd	3,360,000	4.00
Sib Nominees Pte. Ltd.	2,640,000	3.14
Hong Leong Finance Nominees Pte Ltd	1,600,000	1.90
Chan Tai Moy	1,377,600	1.64
Chip Keng Holding Berhad	1,155,000	1.38
Wee Aik Koon Pte Ltd	803,700	0.96
The Great Eastern Trust Private Limited	741,066	0.88
DBS Nominees Pte Ltd	705,262	0.84
Mellford Pte Ltd	662,100	0.79
Morph Investments Ltd	635,000	0.76
Season Holdings Pte Ltd	600,800	0.72
Citibank Nominees S'pore Pte Ltd	599,040	0.71
Total	**67,930,900**	**80.87**

STATISTICS OF SHAREHOLDINGS (cont'd)

As at 22 March 2018

SUBSTANTIAL SHAREHOLDERS as at 22 March 2018 as shown in the Register of Substantial Shareholders:-

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Lee Chou Hor George [(1)]	42,000	0.05	10,830,400	12.89
Lee Chou Tart [(2)]	-	-	10,816,400	12.88
Aik Siew Tong Ltd [(3)]	9,766,000	11.63	23,594,200	28.09
Hock Tart Pte Ltd [(4)]	7,456,400	8.88	23,646,000	28.15
The Great Eastern Life Assurance Co Ltd [(5)]	9,307,012	11.08	3,360	0.004
Great Eastern Holdings Limited [(6)]	-	-	10,051,438	11.97
Oversea-Chinese Banking Corporation Limited [(7)]	-	-	10,051,438	11.97
Asia Building Bhd [(8)]	6,875,400	8.19	1,155,000	1.38
Melodies Limited [(3)]	5,480,000	6.52	3,500,000	4.17
Other Shareholders				
The Singapore-Johore Express (Private) Limited [(3)]	3,574,200	4.25	-	-
Chip Keng Holding Bhd [(8)]	1,155,000	1.38	-	-

Note:

(1) Lee Chou Hor George owns 23.8% 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.

(3) Lee Chou Tart owns 23.8% 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 8,980,000 shares and 3,574,200 shares held by Melodies and S-J Express respectively. AST is also deemed to have an interest of 12,040,000 shares held by its nominees, Oversea-Chinese Bank Nominees Pte Ltd, United Overseas Bank Nominees Pte Ltd and Maybank Nominees (S) Pte Ltd. In addition, Melodies is also deemed to have an interest of 3,500,000 shares held by its nominee, Oversea-Chinese Bank Nominees Pte Ltd.

(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 3,360,000 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 9,310,372 shares (of which 3,360 shares are registered in the name of United Overseas Bank Nominees Pte Ltd).

(6) Great Eastern Holdings Limited is deemed interested in the 10,051,438 shares which made up of 9,310,372 shares as aforementioned; 741,066 shares registered in the name of its subsidiary, 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 1,155,000 shares held by Chip Keng Holding Bhd.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 49th Annual General Meeting of Hotel Royal Limited will be held at the Hotel Royal (Newton), Royal Room 1, Level 3, 36 Newton Road, Singapore 307964 on Saturday, 28 April 2018 at 2.30 p.m. for the following purposes:-

As Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a First and Final Dividend of 5 cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2017. (FY2016: 5 cents per ordinary share) **(Resolution 2)**

3. To approve the sum of $225,500 as Directors' Fees for the financial year ended 31 December 2017. (FY2016: $200,000) **(Resolution 3)**

4. To re-elect Mr Lee Kin Hong who is retiring in accordance with 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 1)

5. To note the retirement of Col (Ret) Rodney How Seen Shing who is retiring pursuant to Article 117 of the Company's Constitution.

   Col (Ret) Rodney How Seen Shing will not seek re-election and will retire as Director of the Company on 28 April 2018 at the close of the Annual General Meeting. Accordingly, Col (Ret) Rodney How Seen Shing will relinquish his position as the Chairman of the Nominating Committee, a member of the Audit and Risk Committee and Remuneration Committee.

6. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

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 Resolutions:

8. **Authority to Issue Shares**

   "That, pursuant to Section 161 of the Companies Act, Cap. 50 and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (A) (i) 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,

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalization issues,

   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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(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,

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 50 per cent 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 20 per cent 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) and 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."
(See Explanatory Note 2) **(Resolution 6)**

BY ORDER OF THE BOARD

Sin Chee Mei
Company Secretary

Singapore,
12 April 2018

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes:-

(1) Mr. Lee Kin Hong will, upon re-election as a Director of the Company, remain as a Director of the Company. He is considered Non-Executive and Non-Independent Director. Detailed Information on Mr. Lee Kin Hong can be found under the "Board of Directors: and "Corporate Governance Report" section in the Company's Annual Report.

(2) Ordinary Resolution 6, if passed, will authorise and empower the Directors from the date of the Annual General Meeting 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 50 per cent 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 20 per cent 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.

NOTES:

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

2. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend and vote in his/her stead at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. A proxy need not be a member of a company.

4. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on his behalf.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

5. The instrument appointing a proxy duly executed must be deposited at the Registered Office of the Company at 36 Newton Road, Singapore 307964 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

PERSONAL DATA PRIVACY

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

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

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 2 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name), NRIC/Passport No. ______________ of

____ (Address)

being a member/members of **HOTEL ROYAL LIMITED** (the "Company") hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf, at the 49th Annual General Meeting ("AGM") of the Company, to be held at the Hotel Royal (Newton), Royal Room 1, Level 3, 36 Newton Road, Singapore 307964 on Saturday, 28 April 2018 at 2.30 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given or in the event of any item arising not summarised below, the proxy/proxies will vote or abstain from voting at his/their discretion.

No.	Resolutions	For*	Against*
1.	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 31 December 2017		
2.	Declaration of First and Final Dividend		
3.	Approval of Directors' Fees		
4.	Re-election of Mr Lee Kin Hong as Director		
5.	Re-appointment of Auditors and fixing their remuneration		
6.	Authority to Issue Shares		

* If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ______________________ 2018

Total Number of Shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/
and, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. A member of the Company (other than a Relevant Intermediary) is entitled to appoint not more than two proxies to attend and vote in his stead. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

2. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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

4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

5. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he/she should insert that number of shares. If the member has shares registered in his/her name in the Register of Members of the Company, he/she should insert that number of shares. If the member has shares entered against his/her name in the Depository Register and registered in his name in the Register of Members, he/she should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all shares held by the member.

6. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 36 Newton Road, Singapore 307964 not less than forty-eight (48) hours before the time for holding the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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.

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

9. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.

10. The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

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