
# ROYAL MEMORIES

ANNUAL REPORT 2015

HOTEL ROYAL LIMITED

# 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

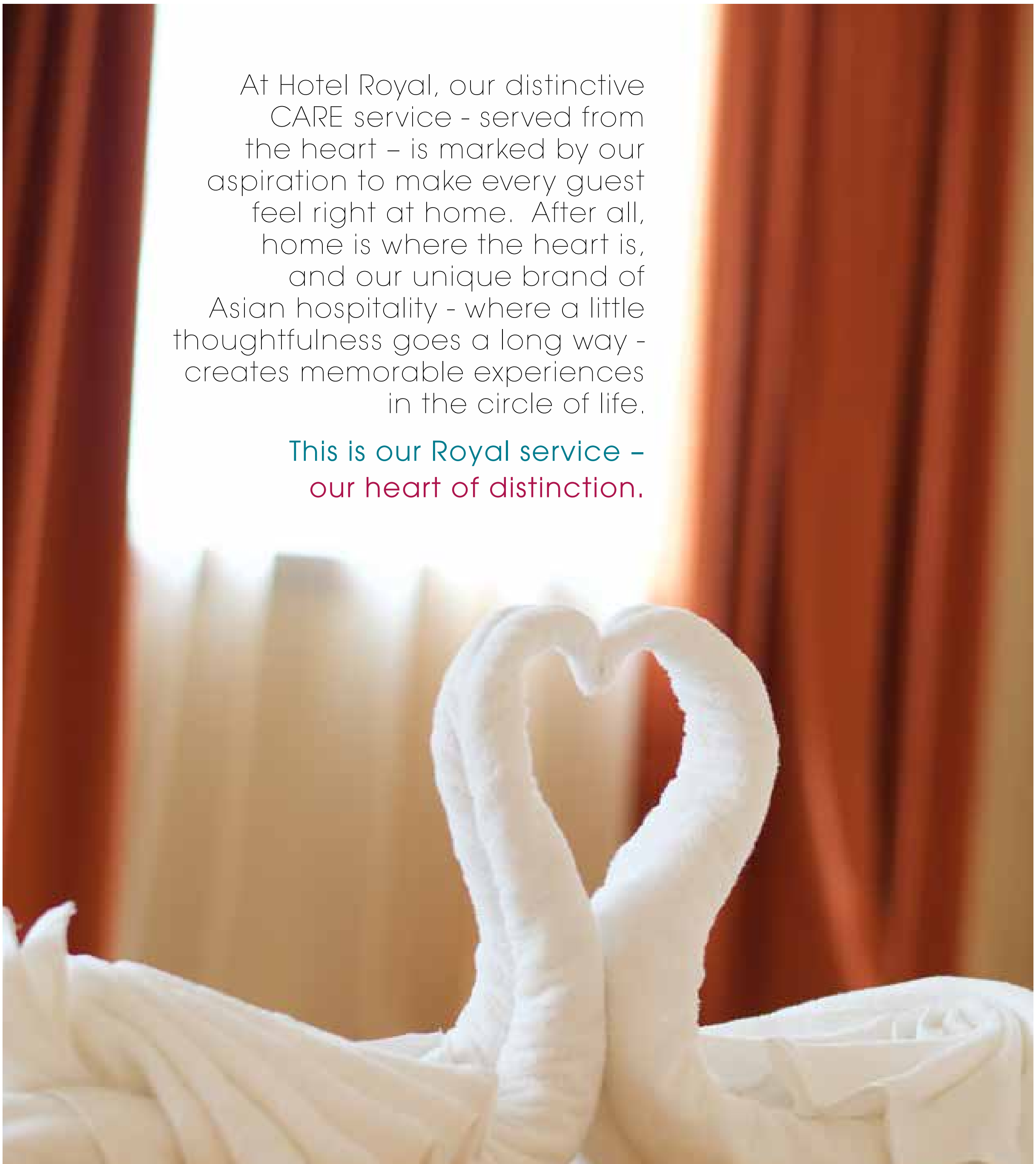
Mrs Wong-Yeo Siew Eng
Appointed in 2012

### PRINCIPAL BANKERS

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

### INVESTOR RELATIONS

Mr Lee Chou Hock
chlee@hotelroyal.com.sg



At Hotel Royal, our distinctive CARE service - served from the heart – is marked by our aspiration to make every guest feel right at home. After all, home is where the heart is, and our unique brand of Asian hospitality - where a little thoughtfulness goes a long way - creates memorable experiences in the circle of life.

This is our Royal service – our heart of distinction.

*Where*
hearts flutter


京華
HOTEL ROYAL

# CORPORATE PROFILE

## Listed on the Mainboard of the Singapore Exchange in 1968, the Group owns and operates the flagship 359-room Hotel Royal on Singapore's Newton Road, and the 231-room Hotel Royal @ Queens, located in the heart of Singapore's civic district.

Beyond Singapore, the Group owns and operates hotels in Kuala Lumpur, Penang and Melaka under the Hotel Royal brand name.

In 2014, the Group entered into two sale and purchase agreements to acquire two hotel properties and their business - the Burasari Resort in Phuket, Thailand, and a heritage boutique hotel, The Baba House, strategically located in the heart of Melaka's UNESCO Heritage Zone in West Malaysia. The acquisitions were completed on 2 July 2014 and 9 January 2015 respectively.

The 184-room Burasari Resort, on Phuket's famous Patong Beach, received TripAdvisor's Certificate of Excellence in 2014 and HotelClub Awards 2008 for "Best Boutique Hotel" and "Best Superior Hotel".

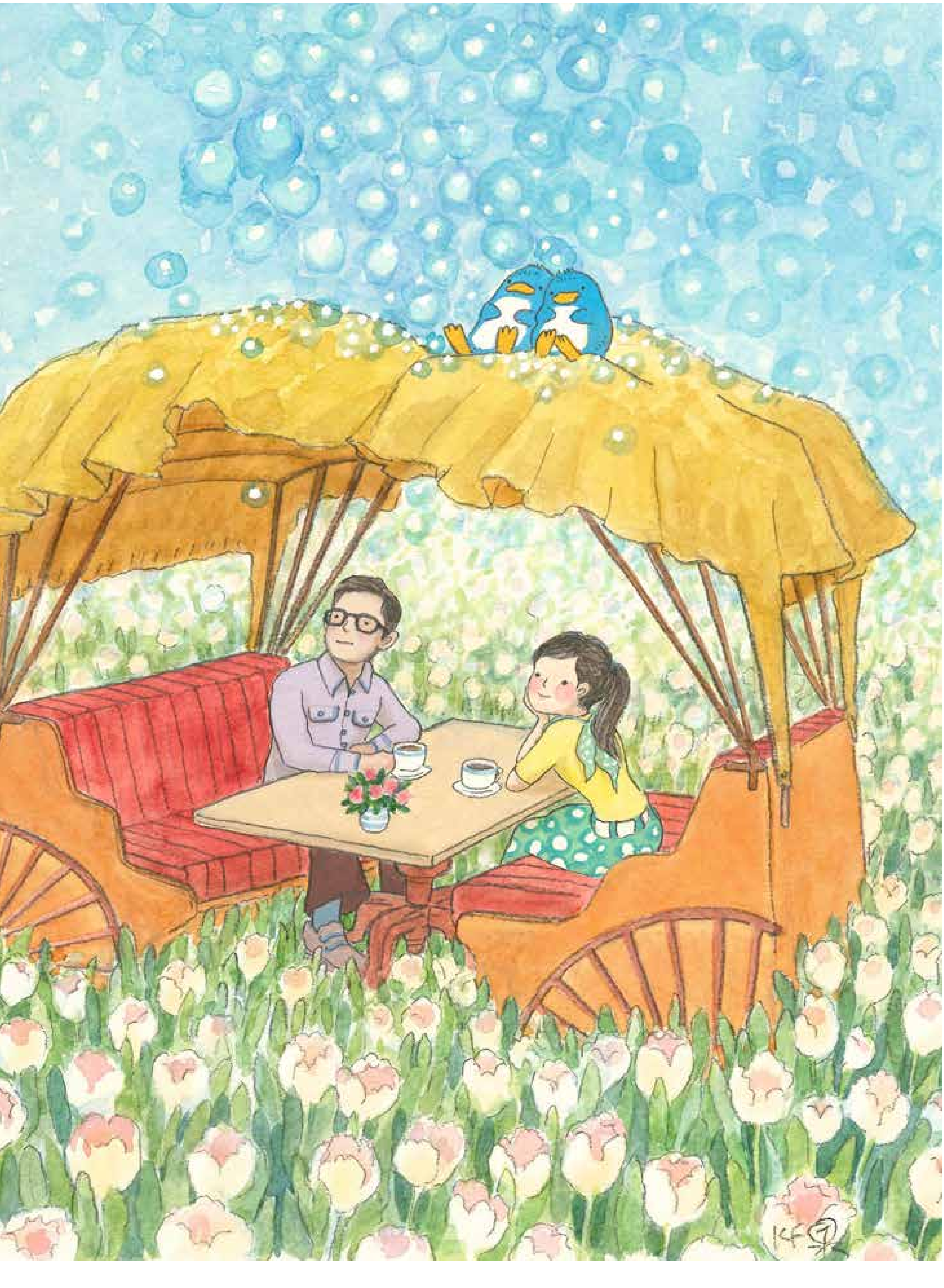
The 97-room Baba House, known for its traditional Peranakan architecture and interiors, is less than 5-minute walk from Melaka's bustling Jonker Street, and close to the famous historical landmarks of Stadthuys (Dutch Governor House) and A'Famosa fortress as well as shopping malls such as Mahkota and Pahlawan.

The Group also owns Grand Complex, a prime commercial complex in the central business district of Wellington, New Zealand. Grand Complex has about 24,000 square metre of lettable office and retail space, and 323 car park lots.

The Group continues to explore hotel and investment property opportunities in the Asia-Pacific region.

*Where*

dreams come
together



# GROUP'S MAJOR PROPERTIES

| Location | Name of Property | Description and area | No. of Guest Rooms | Tenure | Effective Stake |
|---|---|---|---|---|---|
| **HOTELS** | | | | | |
| Singapore | Hotel Royal<br>36 Newton Road | Land area of about 7,200 sq m<br>Hotel building with built-up area of approximately 23,500 sq m | 359 | Freehold | 100% |
| | Hotel Royal @ Queens<br>12 Queen Street | Land area of about 1,979 sq m<br>Hotel building with built-up area of approximately 14,605 sq m | 231 | Freehold | 100% |
| Malaysia | Hotel Royal Kuala Lumpur<br>Jalan Walter Grenier<br>55100 Kuala Lumpur | Land area of about 773 sq m<br>Hotel building with built-up area of approximately 20,027 sq m | 285 | Freehold | 100% |
| | Hotel Royal Penang<br>3 Jalan Laut, Georgetown<br>Penang | Land area of about 3,495 sq m<br>Hotel building with built-up area of approximately 28,569 sq m | 281 | Freehold | 100% |
| | The Baba House<br>No. 121, 123, 125,127<br>Jalan Tun Tan Cheng Lock<br>Melaka | Land area of about 1,984 sq m of which 84% is freehold<br>Hotel building with built-up area of approximately 3,926 sq m | 97 | Freehold / Leasehold | 100% |
| Thailand | Hotel Royal Bangkok @ Chinatown<br>Yaowaraj Road<br>Bangkok | Land area of about 1,480 sq m<br>Hotel building with built-up area of approximately 19,802 sq m | 290 | Freehold | 100% |
| | Burasari Resort<br>18/110 Ruamjai Road<br>Phuket | Land area of about 6,722 sq m<br>Hotel building built-up area of approximately 11,441 sq m | 184 | Freehold | 100% |
| | | **Total Number of Guest Rooms** | **1,727** | | |
| **INVESTMENT PROPERTIES** | | | | | |
| Singapore | Royal Residences<br>1A Surrey Road | Land area of about 718 sq m<br>Residential building with total lettable area of about 1720 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<br>#12-02 Maxwell House | Office unit<br>Strata floor area of about 551 sq m | | 99 years (from 1969) | 100% |
| | #05-14<br>Kapo Factory Building | Flatted factory unit<br>Strata floor area of about 157 sq m | | Freehold | 100% |
| | #02-14, #06-02, #07-02 and #09-08<br>Tong Lee Building | Factory unit<br>Strata floor area of about 277 sq m each (total of 1,108 sq m) | | Freehold | 100% |
| Malaysia | Penang Plaza<br>126 Jalan Burma<br>Georgetown, Penang | Land area of about 5,498 sq m<br>Shopping centre and offices with total lettable retail area of 5,956 sq m;<br>total lettable office area of 2,378 sq m<br>and 88 carpark lots | | Freehold | 100% |
| New Zealand | Grand Complex Properties<br>16-20 Willis Street<br>22-42 Willis Street<br>80 Boulcott Street<br>84 Boulcott Street<br>Wellington | Land area of about 6,898 sq m<br>Shopping centre and offices with lettable retail area of 4,431 sq m;<br>lettable office area of 20,028 sq m<br>and 323 carpark lots | | Freehold | 100% |

Hotel Royal Kuala Lumpur


Baba House


Burasari Resort


Royal Residences

Hotel Royal@Queens

Hotel Royal Penang

Hotel Royal Bangkok@Chinatown

# GROUP'S FINANCIAL HIGHLIGHTS

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **For the year ($'000)** | | | | | |
| Revenue | 57,280 | 56,687 | 51,208 | 52,541 | 48,807 |
| Earnings before Interest, Taxation, Depreciation and Amortization (EBITDA) | 19,488 | 24,747 | 21,702 | 25,269 | 16,169 |
| Gross Profit | 29,187 | 30,004 | 26,001 | 27,767 | 25,625 |
| Net Profit attributable to Owners of the Company | 2,893 | 11,178 | 9,642 | 13,745 | 5,890 |
| Finance Costs | (5,124) | (3,627) | (3,003) | (3,211) | (2,529) |
| Cash from Operating Activities | 17,501 | 14,709 | 15,132 | 12,749 | 12,910 |
| Capital Expenditure | 14,022 | 24,549 | 10,165 | 6,639 | 33,657 |
| **At year end ($'000)** | | | | | |
| Total Assets | 724,041 | 725,750 | 629,946 | 504,982 | 455,807 |
| Total Liabilities | 188,569 | 187,810 | 122,071 | 121,792 | 121,389 |
| Total Equity | 535,472 | 537,940 | 507,875 | 383,190 | 334,418 |
| Cash and Cash Equivalents | 17,037 | 17,834 | 20,100 | 21,725 | 19,436 |
| Property, Plant & Equipment | 588,808 | 577,840 | 485,494 | 365,311 | 325,987 |
| Investment Properties | 93,492 | 97,310 | 96,687 | 93,770 | 90,436 |
| Total Borrowings | 157,193 | 154,839 | 93,910 | 95,738 | 95,701 |
| Asset Revaluation Reserve | 352,360 | 339,497 | 317,502 | 198,177 | 158,977 |
| **Financial Ratios** | | | | | |
| Revenue Growth (%) | 1.05 | 10.70 | (2.54) | 7.65 | 22.17 |
| Net Profit Growth (%) | (74.12) | 15.93 | (29.85) | 133.36 | 16.68 |
| Adjusted Net Assets Value (ANAV)($'million)(2) | 691.10 | 701.57 | 659.86 | 532.69 | 468.02 |
| Debt to ANAV (times) | 0.23 | 0.22 | 0.14 | 0.18 | 0.20 |
| **Per Share Information** | | | | | |
| Earnings per Share (cents) before Income Tax (1) | 6.71 | 16.98 | 15.87 | 20.43 | 11.28 |
| Earnings per Share (cents) after Income Tax (1) | 3.44 | 13.31 | 11.48 | 16.36 | 7.01 |
| Net Assets Value (NAV) per Share ($)(2) | 6.37 | 6.40 | 6.05 | 4.56 | 3.98 |
| Adjusted Net Assets Value (ANAV) per Share ($)(2) | 8.23 | 8.35 | 7.86 | 6.34 | 5.57 |
| Dividend per Share - Ordinary Shares ($) | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |
| **Market capitalisation ($'million)** | | | | | |
| at year end | 284.76 | 319.20 | 264.60 | 236.88 | 166.32 |

(1) The weighted average number of ordinary shares is 84,000,000 for 2015.

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

# VALUE-ADDED STATEMENT

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Revenue earned | 57,280 | 56,687 |
| Less: cost of sales | (28,093) | (26,683) |
| **Gross value-added from operations** | **29,187** | **30,004** |
| Other income | 1,805 | 3,406 |
| Other expenses | (3,330) | (2,575) |
| Net foreign exchange adjustment (loss) gain | (1,110) | 155 |
| **Total value-added** | **26,552** | **30,990** |
| **Distribution:** | | |
| To employees in salaries and other related costs | 14,127 | 12,008 |
| To government in corporate and other taxes | 2,740 | 3,089 |
| To providers of capital: | | |
| - Interest paid on borrowing from banks | 5,124 | 3,627 |
| Retained for re-investment and future growth | | |
| - Depreciation and amortisation | 8,731 | 6,853 |
| - Accumulated (losses) profits | (6,741) | 5,762 |
| Non-production costs and income: | | |
| - Bad debts written off | 151 | 29 |
| - Bad debt recovered | (2) | (12) |
| - Allowance for doubtful receivables | 235 | 201 |
| - Write back of allowance for doubtful receivables | (343) | (712) |
| - Impairment loss on available-for-sale investments | 317 | 145 |
| - Impairment loss on property, plant and equipment | 829 | - |
| - Impairment loss on goodwill | 1,384 | - |
| **Total distribution** | **26,552** | **30,990** |

## PRODUCTIVITY DATA

| | 2015 | 2014 |
|---|---|---|
| Number of employees | 772 | 557 |
| Value-added per employee ($'000) | 34.39 | 55.64 |
| Value-added per $ of employee cost | 1.88 | 2.58 |
| Value-added per $ revenue earned | 0.46 | 0.55 |
| 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 Stock Exchange


## 1969

Construction of hotel commenced

## 1972

Hotel commenced operations

## 1992

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

## 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

## 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

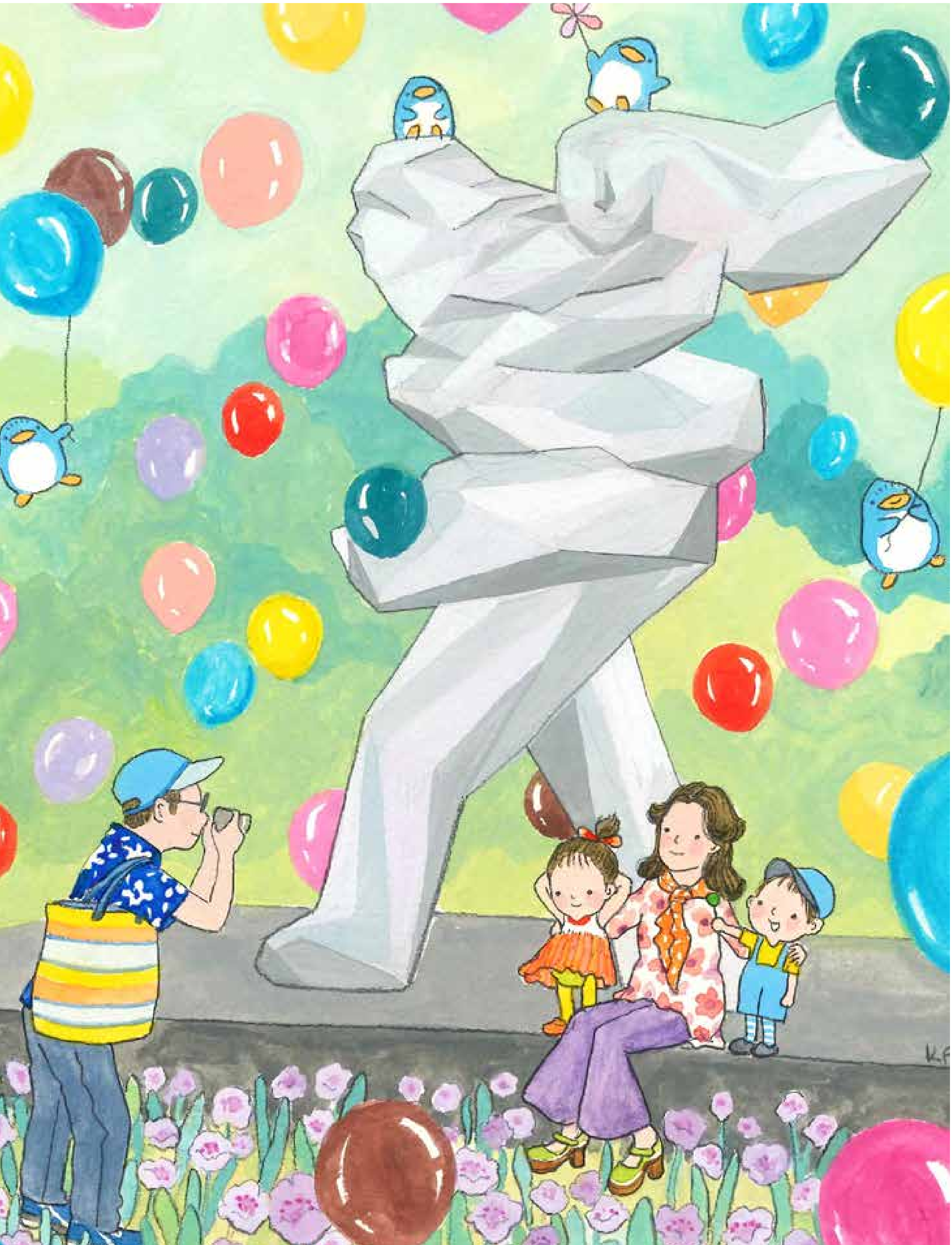
Acquired Burasari Resort in Phuket, Thailand

## 2015

Acquired The Baba House at Melaka, Malaysia

*Where*

life embraces
new challenges



# CHAIRMAN'S MESSAGE

"Moving ahead, we reiterate our optimism in our strategy of growth through acquisitions. Our acquisition of two hotels in the last two years – namely The Burasari Resort in Phuket and the Baba House in Melaka – is expected to provide further upside for the Group as we work to enhance these assets to provide further revenue headroom."

**Dear Shareholders,**

It has been another year of challenges, exacerbated by economic and geo-political turbulence all round. In particular, the regional haze situation in 2015 affected tourism in Singapore, Malaysia and Southern Thailand, and the significant volatility in regional currencies eroded earnings due to foreign exchange losses.

As a result, in FY2015, we recorded a 74.1% decrease in net profit attributable to shareholders to S$2.9 million mainly due to impairment losses on the building for Hotel Royal Bangkok @ Chinatown and goodwill for investment in The Baba House in Melaka; lower sales from some of the Group's hotels and higher foreign exchange loss from our Malaysia subsidiaries. Group revenue rose 1.0% to S$57.3 million, on the back of additional room revenue and food and beverage sales generated by Burasari Resort in Phuket.

In the 12 months to 31 December 2015, the Group posted earnings per share of 3.44 cents and the net assets value at 31 December 2015 was S$6.37 per share.

Without the impairment losses of approximately S$0.8 million and S$1.4 million relating to our hotels in Bangkok and Melaka respectively, the net profit attributable to shareholders would have increased to S$5.1 million.

## DIVIDEND

As always, we deeply appreciate the support of our shareholders and are pleased to recommend a one-tier tax-exempt first and final dividend of 5 cents per ordinary share – amounting to S$4.2 million in dividend payout – for your approval at the upcoming Annual General Meeting to be held on 30 April 2016. If approved, the proposed dividend will be paid out at a date to be announced later.

## A SUSTAINABLE GROWTH STRATEGY

Moving ahead, we reiterate our optimism in our strategy of growth through acquisitions. Our acquisitions of two hotels in 2014 and 2015 – namely The Burasari Resort in Phuket and The Baba House in Melaka – are expected to provide further revenue upside for the Group as we work to enhance these assets.

In the years ahead, the Group will continue its growth strategy at a measured pace as we seek opportunities for acquisition of attractive hospitality real estate assets in key gateway cities in the Asia Pacific region. The Group also intends to further strengthen its passive income component to mitigate the effects of the cyclical nature of hotel earnings.

The Group is financially healthy with net assets of approximately S$535 million at 31 December 2015 and a healthy net gearing ratio of 26.2%. This, we believe, provides adequate headroom to fund further acquisitions.

## OUTLOOK FOR 2016

Visitor arrivals to our largest market, Singapore, rose 0.9% to 15.2 million in 2015, according to the latest preliminary statistics from Singapore Tourism Board, thanks to an increase in tourists from China, Taiwan, India and South Korea despite the prolonged regional haze situation and the stronger Singapore dollar. However, tourist spending fell by 6.8% in 2015 due to a fall in the number of business visitors and MICE arrivals. STB expects tourism receipts to grow between 0% to 2% while visitor arrivals are forecast to grow between 0% to 3% in 2016.

With the increased room inventory and shortage of manpower in Singapore, coupled with the slowdown in the world economy, the Group expects more challenges in the year ahead. We will continue with our strategy of competitive pricing and progressive enhancements of our hotel assets in Singapore, Malaysia and Thailand. We will continue to focus on improving service quality, enhancing the customers' experience, and monitoring our room occupancy and room rates, as we seek to expand our customer base and enlarge our share of tourist arrivals.

With regard to our investments to augment our core earnings, the Group will continue to actively upgrade our properties in New Zealand so as to maximise rental income. The Group's managed fund portfolio may be impacted by the current instability in the Middle East and the uncertain world economy in the short to medium term.

Subject to the sustainability of economic recovery and other factors affecting the regional travel and hospitality markets, the Group is well positioned to generate further improvements in our operating performance in 2016. However, headwinds continue to persist and the business landscape remains fragile. We envisage that these challenging market conditions will persist, and we will take the necessary measures to respond expediently.

The Group's profitability will continue to be influenced by fluctuations in exchange rates of currencies such as the NZD, USD, RM and THB against the SGD, as well as changes in the market values of investments in our investment portfolio. Management is familiar with these challenges and will take appropriate actions to mitigate their impact on the Group's businesses.

## SUSTAINABILITY REPORTING & CORPORATE SOCIAL RESPONSIBILITY

In keeping with the Singapore Exchange's call for all listed companies to publish sustainability reports annually, we set out our maiden Sustainability Report on pages 38 and 39. As we are fully committed to reaching out to communities and taking better care of the physical and social environments that our hotels operate in, we hope to expand and enhance our coverage in the years ahead. By doing so, we hope to align our long-term business strategies with the universal values of achieving positive and sustainable outcomes for all of our stakeholders.

## A WORD OF APPRECIATION

Despite the volatile business environment, the Group is poised to build on its service proposition, capabilities and human capital. I would like to say a huge "thank you" to all of our management and staff – for their deep commitment in delivering the Royal distinction in service to all of our guests.

On behalf of the Board of Directors, I would also like to express my appreciation to all of our stakeholders – shareholders, customers, business partners – for your continued support of the Group. In addition, I would like to thank my fellow directors for their invaluable contributions and wise counsel over the years.

**Dr Lee Keng Thon**
Chairman

18 March 2016

THE BABA HOUSE


# BOARD OF DIRECTORS

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

### DR LEE KENG THON, 72

Dr Lee Keng Thon was appointed to the Board of Directors on 8 September 1971. He was last re-appointed as a director on 25 April 2015 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.

### COL (RET) HOW SEEN SHING, 73

COLONEL (Ret) Rodney How was appointed to the Board on 26 February 1986 and is currently the Chairman of the Nominating Committee and a member of the Audit and Risk and Remuneration Committees. He was last re-appointed as a director on 25 April 2015.

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

He was also previously a Board Member of the International Ship Suppliers Association and President of Singapore Association of Ship Suppliers.

### MR LEE KIN HONG, 62

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 26 April 2014.

He is currently the Managing Director of Singapore-Johore Express (Private) Limited and has more than 20 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, 72

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 25 April 2015.

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, 55

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 25 April 2015.

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, 64

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 25 April 2015.

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).

# 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 sits 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.

**LEE CHOU HOCK**
CHIEF EXECUTIVE OFFICER

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

**LEE CHOU HOR GEORGE**
GENERAL MANAGER OF GROUP'S KEY SUBSIDARIES

Mr Lee Chou Hor George joined the Group in 1993 and is the General Manager/Director of the Group's key subsidiaries, namely Royal Properties Investment Pte Ltd, Royal Capital Pte Ltd and Grand Complex Properties Ltd (New Zealand). His primary responsibilities are real estate and capital market investments evaluation and acquisition, and asset planning and management for the Group. His prior working experiences included the Singapore Airlines Group and the Housing and Development Board. He holds a Bachelor of Business Administration (Hons) and Master of Business Administration from Schulich School of Business (York University, Toronto, Canada), a Master of Science (Real Estate) from the National University of Singapore and a Master of Professional Accounting from the Singapore Management University.

**TAY KOK LIANG**
GROUP FINANCIAL CONTROLLER

Mdm Tay Kok Liang is responsible for the Group's accounting and taxation functions. She joined the Group in 1975. She holds a Bachelor of Accountancy from the University of Singapore.

**WONG SIEW CHOO**
GROUP REVENUE CONTROLLER

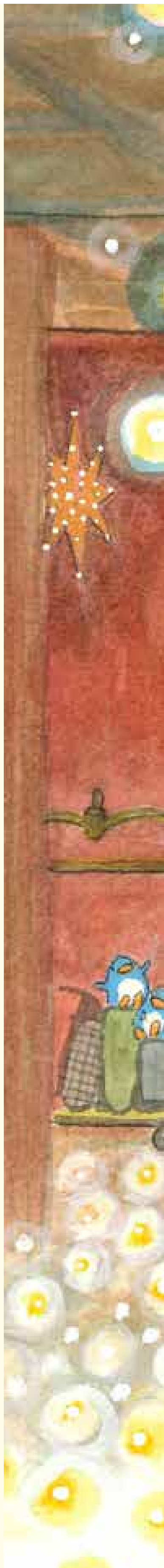
Mrs Wong Siew Choo is responsible for the treasury functions and credit control of the Group. She joined the Group in 1973. Prior to joining the Group, she had accumulated experiences in accounting and purchasing.

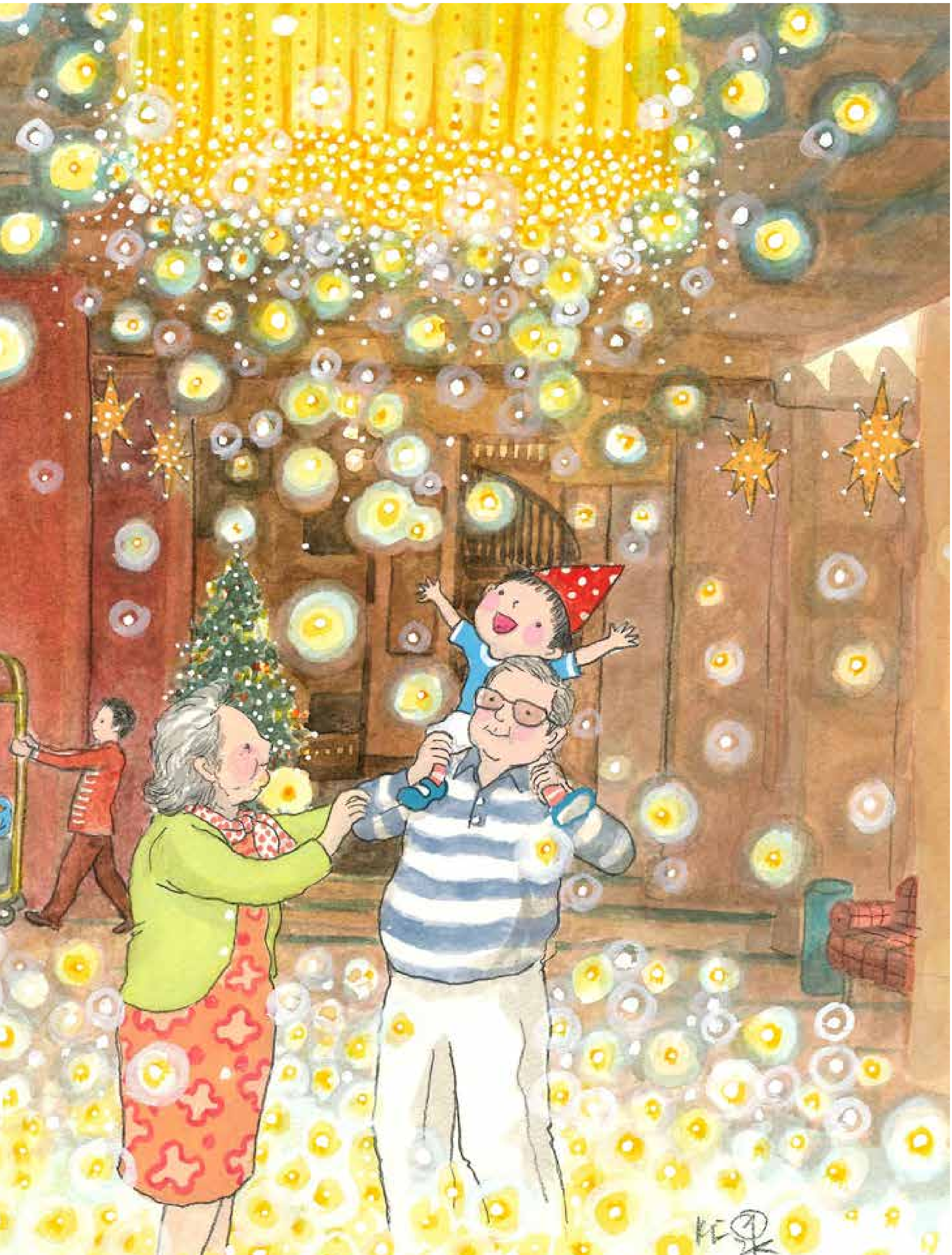
**LEE CHU BING**
GENERAL MANAGER

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.

Where

love and care
endures





# 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 ancillary services such as food & beverage.

The Group started its first hotel in Singapore, followed by hotels in Penang and Kuala Lumpur in Malaysia. It then expanded its hotel footprint to Bangkok, Thailand and added Burasari Resort in Phuket to its portfolio. In 2015, it acquired The Baba House in Melaka.

**B) PROPERTY INVESTMENT**

The Group owns investment properties in Singapore, Malaysia and New Zealand that it leases out for rental income.

**C) FINANCIAL INVESTMENT**

It also holds financial investments which comprise financial assets such as shares, bonds, funds and other financial 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 2015**

| | 2015 $'000 | 2014 $'000 | Change % |
|---|---|---|---|
| Revenue | | | |
| Hotel segment | 47,574 | 46,800 | 1.7% |
| Properties segment | 9,082 | 9,260 | (1.9%) |
| Investment segment | 624 | 627 | (0.5%) |
| **Total revenue** | **57,280** | **56,687** | **1.0%** |
| Less: Cost of sales | (28,093) | ( 26,683) | 5.3% |
| **Gross profit** | **29,187** | **30,004** | **(2.7%)** |
| Less: Operating expenses | (15,795) | ( 13,096) | 20.6% |
| Add: Other income | 2,193 | 3,561 | (38.4%) |
| Less: Other expenses | (4,828) | ( 2,575) | 87.5% |
| Less: Finance costs | (5,124) | ( 3,627) | 41.3% |
| **Profit before income tax** | **5,633** | **14,267** | **(60.5%)** |
| Less: Income tax expense | (2,740) | ( 3,089) | (11.3%) |
| **Profit for the year attributable to owners of the Company** | **2,893** | **11,178** | **(74.1%)** |

## REVENUE

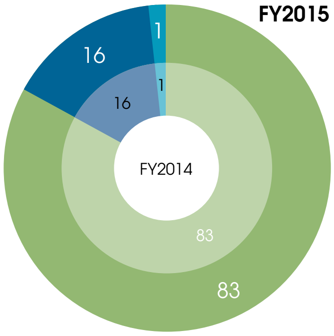
The Group derives its revenue mainly from sales from rooms, food and beverage, rental income from investment properties, and income from financial instruments.

In FY2015 ended 31 December, the Group's revenue increased by a 1.0% to $57.3 million from $56.7 million, boosted by a full year contribution from Burasari Resort, Phuket, Hotel Royal Bangkok @ Chinatown and the newly acquired The Baba House in Melaka. This was, however, offset by lower sales from some of the Group's hotels. The rental income from investment properties in New Zealand and Malaysia, when translated to Singapore dollars, suffered a decline due to the weaker New Zealand dollar and Malaysia Ringgit.

Overall, revenue from the Hotel segment increased by 1.7% in 2015 to $47.6 million, thanks to the contribution from its hotel assets in Thailand. The Group's Properties segment dipped by 1.9% to $9.1 million mainly due to the weaker New Zealand dollar translation of its New Zealand revenue to the Singapore dollar and lower rental income from the investment property in Malaysia. The Group's investment portfolio, comprising financial instruments, decreased marginally by 0.5% to $0.6 million.

On a geographical basis, revenue from our Singapore operations (which accounted for 52.0% of total sales in FY2015) decreased by 6.7% to $29.8 million, while Malaysia (accounting for 17.3% of total sales) declined 24.3%% to $9.9 million. Thailand, accounting for 19.2% of total sales, saw a 123.6% increase to $11.0 million, while New Zealand (which accounts for 11.5% of total sales), decreased by 2.2% to $6.6 million.

## REVENUE BY SEGMENT (%)

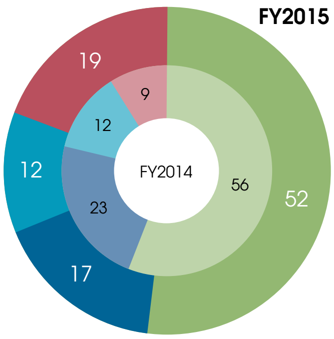



- Hotel segment
- Properties segment
- Investment segment

| | Financial year ended 31 Dec 2015 $'000 | % | 2014 $'000 | % | Increase (Decrease) $'000 | % |
|---|---|---|---|---|---|---|
| Hotel segment | 47,574 | 83 | 46,800 | 83 | 774 | 1.7% |
| Properties segment | 9,082 | 16 | 9,260 | 16 | (178) | ( 1.9%) |
| Investment segment | 624 | 1 | 627 | 1 | ( 3) | ( 0.5%) |
| | **57,280** | **100** | **56,687** | **100** | **593** | **1.0%** |

In 2015, the revenue from all segments – namely, hospitality operations, investment properties and financial instruments - rose by 1.0% to $57.3 million, thanks to higher contributions from the newly relaunched Hotel Royal Bangkok @ Chinatown and Burasari Resort, Phuket and the newly acquired The Baba House in Melaka. The property and investment segments were flat for the year.

## REVENUE BY GEOGRAPHICAL LOCATION (%)




- Singapore
- Malaysia
- New Zealand
- Thailand

| | Financial year ended 31 Dec 2015 $'000 | % | 2014 $'000 | % | Increase (Decrease) $'000 | % |
|---|---|---|---|---|---|---|
| Singapore | 29,812 | 52 | 31,966 | 56 | ( 2,154) | ( 6.7%) |
| Malaysia | 9,904 | 17 | 13,086 | 23 | ( 3,182) | (24.3%) |
| New Zealand | 6,563 | 12 | 6,714 | 12 | ( 151) | ( 2.2%) |
| Thailand | 11,001 | 19 | 4,921 | 9 | 6,080 | 123.6% |
| | **57,280** | **100** | **56,687** | **100** | **593** | **1.0%** |

In FY2015, the downward adjustments of room rates, coupled with lower room occupancy, led to lower room revenue and food and beverage sales in our hotels in Singapore and Malaysia.

Rental income from investment properties in New Zealand, when translated to the Singapore dollar, suffered a decline due to the weaker New Zealand dollar and Malaysia Ringgit.

The increase in revenue from the Group's Thailand operations was due to the full-year contribution from Burasari Resort in Phuket, Thailand and the relaunched Hotel Royal Bangkok @ Chinatown.

## PROFITABILITY

During the year in review, the Group's gross profit dipped by 2.7% to $29.2 million due mainly to higher cost of sale, especially from the newly re-opened Hotel Royal Bangkok @ Chinatown.

Operating income from other sources declined by 38.4% to $2.2 million due to the absence of doubtful receivables no longer required from a Thailand subsidiary, offset by higher gain on disposal of available-for-sale investment.

Administrative expenses increased by 25.2% as a result of the full-year operations of Burasari Resort, Phuket and the re-opening of Hotel Royal Bangkok @ Chinatown.

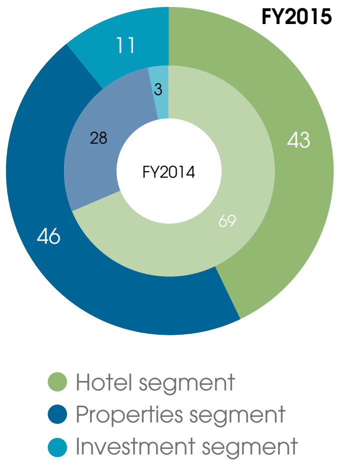
Other expenses rose by 87.5% to $4.8 million mainly due to an impairment loss on goodwill of $1.4 million recognised for investment in The Baba House and an impairment loss of $0.8 million on the building for Hotel Royal Bangkok @ Chinatown.

Subsequently, the Group's pre-tax profit retreated 60.5% to $5.6 million. The Hotel segment, which experienced a decrease of 62.4%, contributed 42.9% of profit before interest and income tax. The Properties segment, which accounted for 46.2%, saw a decrease of 0.4% in pre-tax profit due to the weaker New Zealand dollar. Profit attributable to financial investments increased by 86.0% due to the disposals of some quoted investments at an opportune time.

On a geographical basis, profitability of our Singapore operations (which accounted for 96.8% of profit before interest and income tax in FY2015) slid 14.5% to $10.4 million due to the decrease in room revenue and food/beverage sales as a result of lower room rates and occupancy amidst a keen competitive environment and increased room inventory, while Malaysia (accounting for 24.7% loss of pre-tax profit) declined 224.3% to register a loss of $2.7 million due to higher operating expenses from its hotels offset by higher rental income from its investment properties. Thailand, recorded a 189.8% drop to a loss of $517,000.

With an 11.3% lower income tax expense of $2.7 million, the Group closed the year with a decrease of 74.1% in net profit attributable to shareholders to $2.9 million.

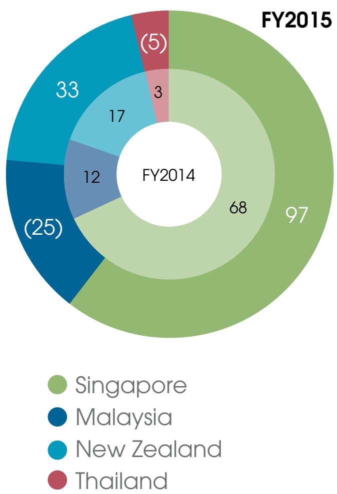
## PROFITABILITY BY SEGMENT (%)




| | Financial year ended 31 Dec 2015 $'000 | % | 2014 $'000 | % | Increase (Decrease) $'000 | % |
|---|---|---|---|---|---|---|
| Hotel segment | 4,617 | 43 | 12,275 | 69 | ( 7,658) | ( 62.4%) |
| Properties segment | 4,972 | 46 | 4,991 | 28 | ( 19) | ( 0.4%) |
| Investment segment | 1,168 | 11 | 628 | 3 | 540 | 86.0% |
| **Profit before interest and income tax** | **10,757** | **100** | **17,894** | **100** | **( 7,137)** | **( 39.9%)** |

The Group's profit before interest and income tax declined by 39.9% to $10.8 million in 2015, mainly contributed by the Group's hotel operations. The property segment was flat. Profit attributable to financial investment surged 86.0% from the disposal of some quoted investments.

## PROFITABILITY BY GEOGRAPHICAL LOCATION (%)




| | Financial year ended 31 Dec 2015 $'000 | % | 2014 $'000 | % | Increase (Decrease) $'000 | % |
|---|---|---|---|---|---|---|
| Singapore | 10,412 | 97 | 12,172 | 68 | ( 1,760) | ( 14.5%) |
| Malaysia | ( 2,659) | ( 25) | 2,139 | 12 | ( 4,798) | ( 224.3%) |
| New Zealand | 3,521 | 33 | 3,007 | 17 | 514 | 17.1% |
| Thailand | ( 517) | ( 5) | 576 | 3 | ( 1,093) | ( 189.8%) |
| **Profit before interest and income tax** | **10,757** | **100** | **17,894** | **100** | **( 7,137)** | **( 39.9%)** |

The dip in profit before interest and income tax from Singapore operations was largely from a decrease in room revenue and food and beverage sales as a result of the downward adjustment of room rates and lower room occupancy as well as an increase in room inventory.

The decrease in profit before interest and income tax in Malaysia was mainly due to lower room occupancy and room rates, and the write-off of goodwill from the purchase of The Baba House, while the profit before interest and income tax in New Zealand improved by 17.1% due to better take up rate in Grand Complex.

Thailand, due to the weak performance of Hotel Royal Bangkok @ Chinatown during its first year of operation after the upgrading and the impairment loss of its building, posted a decrease in profit before interest and income tax. This was offset by the positive contribution from Burasari Resort in Phuket.

## CASHFLOW

In FY2015, the Group's operations generated net cash flow of \$17.5 million, an improvement of about 19.0% compared to the previous year, thereby providing the necessary capital resources to fund the Group's growth and expansion plans.

During the year in review, the Group invested \$21.6 million in capital expenditure for the acquisition of The Baba House in Melaka and for renovating and upgrading hotels in Singapore, Malaysia and Thailand, and in the purchase of available-for-sale investments.

The net cash used for financing activities in FY2015 decreased to \$3.1 million (FY2014 : \$43.8 million) due to lower hotel investment quantum required.

As at 31 December 2015, the Group posted cash and cash equivalents amounting to \$17.0 million.

## GROUP CASH AND CASH EQUIVALENTS

| | FY 2015 $'000 | FY 2014 $'000 | FY 2013 $'000 | FY 2012 $'000 | FY 2011 $'000 |
|---|---|---|---|---|---|
| Cash on hand | 144 | 154 | 144 | 148 | 123 |
| Cash at bank | 15,677 | 16,053 | 18,106 | 17,511 | 12,028 |
| Fixed deposits | 1,216 | 1,627 | 1,850 | 4,066 | 7,285 |
| **Total** | **17,037** | **17,834** | **20,100** | **21,725** | **19,436** |

Cash and cash equivalents for the Group consists of cash on hand, cash at bank and fixed deposits. The fixed deposit of $0.6 million of a subsidiary company was pledged for a loan facility which 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.

Our fixed deposits typically earn interest ranging from 2.25% to 3.30% per annum and for terms ranging from 30 to 270 days for the Group.

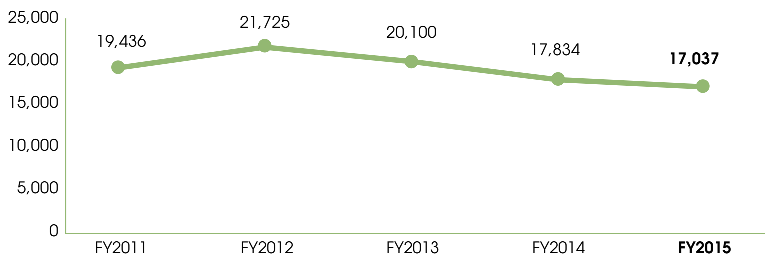
The increase was mainly due to better contribution from Burasari Resort, Phuket; Hotel Royal, Singapore and investment properties from New Zealand.

The decrease was due to no major hotel acquisition and reduced hotels' upgrading costs in the current year.

The decrease was due to lesser bank loan required to finance hotel acquisition in FY2015.

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Net cash from operating activities | 17,501 | 14,709 |
| Net cash used in investing activities | (21,562) | (59,685) |
| Net cash used in financing activities | 3,138 | 43,792 |
| Net increase in cash and cash equivalents | (923) | (1,184) |
| **Cash and cash equivalents at end of year** | **17,037** | **17,834** |

CASH AND CASH EQUIVALENTS ($'000)



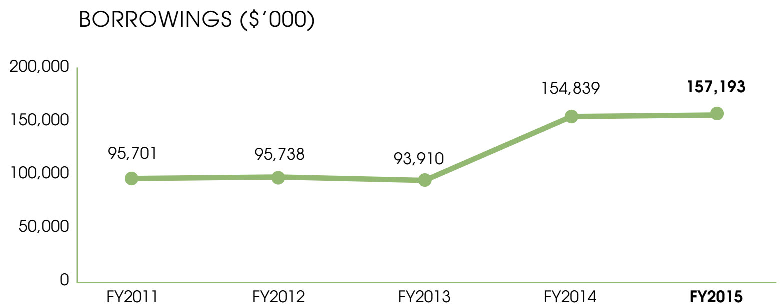
## GROUP BORROWINGS

| | FY 2015 $'000 | FY 2014 $'000 | FY 2013 $'000 | FY 2012 $'000 | FY 2011 $'000 |
|---|---|---|---|---|---|
| Secured | 157,193 | 154,839 | 93,910 | 95,738 | 95,701 |

Borrowings consists of short-term bank loans, long-term bank loans and finance lease, 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 charge on all the Company's and subsidiaries' assets. The Group's obligations under finance leases are secured by the lessor's title to the leased asset.

From FY2011 to FY2015, the Group's bank borrowings increased as a result of its expansion in the Asean region, with acquisitions in Malaysia and Thailand.

In FY2015, its borrowing grew by about $2.3 million or 1.5% year-on-year. This was because the Group had taken a cautious expansion approach in view of the uncertain economic outlook locally and overseas.



## Statements of Financial Position (extract)
## 31 December 2015

| | 2015 $'000 | 2014 $'000 | Change % |
|---|---|---|---|
| **Total Assets** | **724,041** | **725,750** | **(0.2%)** |
| - Property, plant and equipment | 588,808 | 577,840 | 1.9% |
| - Investment properties | 93,492 | 97,310 | (3.9%) |
| - Investments | 15,407 | 19,292 | (20.1%) |
| - Inventories | 772 | 587 | 31.5% |
| - Trade receivables and other receivables | 5,606 | 7,617 | (26.4%) |
| - Goodwill | 1,783 | 1,829 | (2.5%) |
| - Cash and bank balances | 17,037 | 17,834 | (4.5%) |
| **Total Liabilities** | **188,569** | **187,810** | **0.4%** |
| - Trade and other payables | 8,860 | 9,573 | (7.4%) |
| - Tax liabilities | 21,918 | 22,857 | (4.1%) |
| - Bank borrowings | 157,193 | 154,839 | 1.5% |
| **Capital and reserves** | **535,472** | **537,940** | **(0.5%)** |
| - Share capital | 100,438 | 100,438 | - |
| - Asset revaluation reserve | 352,360 | 339,497 | 3.8% |
| - Employee benefit reserve | 171 | 171 | - |
| - Fair value reserve | 1,730 | 3,228 | (46.4%) |
| - Translation reserve | (14,623) | ( 2,097) | 597.3% |
| - Retained earnings | 95,396 | 96,703 | (1.4%) |

The Group's total shareholders' equity declined marginally by 0.5% to $535.5 million as we positioned ourselves to consolidate our core businesses and investments.

Despite the challenges that the Group faced in FY2015, it continued to progressively upgrade its hotel properties as it geared itself up to increase its market share in these key markets.

In January 2015, the Group completed the acquisition of The Baba House in Melaka, a 97-room conservation hotel that is situated in the core heritage zone.

Moving ahead, the Group expects to expand 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

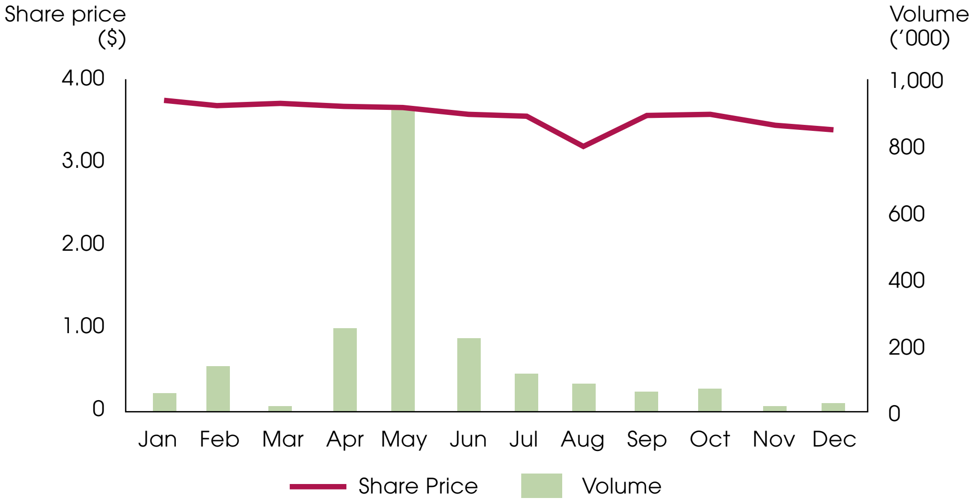
## SHAREHOLDER RETURNS

The Group's priority is to achieve long-term capital growth for shareholders. The bulk of its profits, when made, shall therefore be retained for investing in the Group's future, while an appropriate dividend will be distributed annually – cash flow permitting - to reward shareholders.

In 2015, 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 30 April 2016, will be paid out in June 2016.

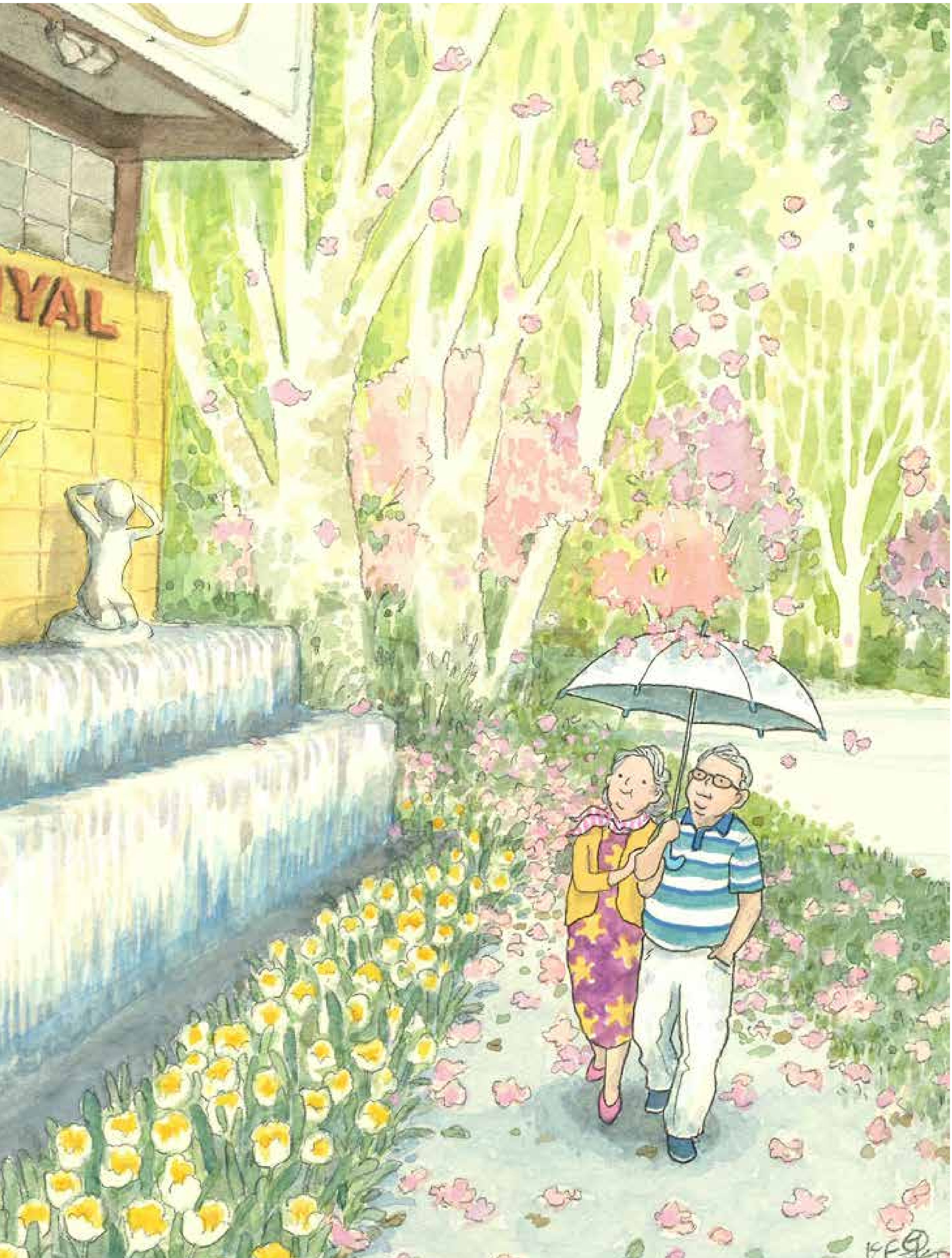
NET EARNINGS AND DIVIDEND PAYOUT


SHARE PRICE AND TRADING VOLUME (FY2015)



*Where*

memories are
created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# SUSTAINABILITY REPORT

At the core of our Group's ethos is the realization that our corporate development and growth should not be at the expense of the environment and social well-being. Our business interests must be aligned to the socio-environmental objectives in order to build sustainable businesses for future generations.

At Hotel Royal, we are committed to reaching out to the larger community that our hotels operate in. Embracing the essence of corporate social responsibility (CSR) in our day-to-day operations, we believe that as a successful business enterprise, we have to reach out to the larger community and be environmentally conscious and friendly. We hope to further align our long-term business strategies with the universal values of achieving positive and sustainable outcomes for all of our stakeholders.

It is for these reasons that we are embarking on a more structured and detailed Sustainability Report which we hope our shareholders and investors will find useful. The aim of this Sustainability Report is to provide our shareholders with an accurate, complete and reliable account of how we manage sustainability issues in our hospitality business.

## HOTEL ROYAL'S SUSTAINABILITY POLICY

Hotel Royal Limited is a hospitality group that places much emphasis on executing a sustainable business strategy with profitability and shareholder value in clear focus. 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, among other things.

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

### 2 Health, safety and the environment

Management of health, safety and the environment is high on our list of priorities. We continuously seek to minimise the impact of our activities through water and energy conservation, as well as having a robust workplace safety management programme. Please refer to the section on Corporate Social Responsibility on pages 40 and 41 of this 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 to 45 of this 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 and 41 of this Annual Report.

## 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.

## 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 |

## MANAGING RISKS

The Group's risk and control framework is designed to provide reasonable assurance that our business objectives are met effectively and efficiently, while safeguarding our assets and ensuring that we comply with the necessary legal and regulatory requirements in order to uphold the integrity of our financial reporting and corporate disclosures. Management is responsible to identify critical business risks and to take the necessary risk management procedures to address these risks. These procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

Please refer to pages 73 and 74 of this Annual Report for the disclosure of our Risk Factors and Risk Management.

# CORPORATE SOCIAL RESPONSIBILITY

At the core of our corporate social responsibility (CSR) commitment is our passion to reach out to the larger community in the cities that we operate in. We believe that as a successful business enterprise, we have to do our part to make a positive impact in and around us, fostering goodwill in the communities and environment.

We hope to further align our long-term business strategies with the universal values of achieving positive and sustainable outcomes for all of our stakeholders.

## DOING OUR PART FOR THE ENVIRONMENT

In 2015, the Group had initiated environmentally friendly activities such as:-

- Tapping solar energy to generate hot water for Hotel Royal Singapore and Burasari Resort in Phuket, thereby allowing the Group to achieve substantial savings in energy costs. Baba House in Melaka is also experimenting the use of solar energy to generate hot water.
- Installation of energy-saving LED lighting in our Singapore and Kuala Lumpur hotels, and hot/cold water dispensers in its Utility Room instead of providing bottled drinking water in all guest rooms in Hotel Royal Singapore. Hotel Royal Bangkok @ Chinatown installed the environmentally-friendly VRV air-conditioning system in its entire hotel building.
- Office staff is encouraged to turn off lights during lunch period.
- Hotel Royal Singapore sold a total of 7,613 kg of old newspapers and 730 kg of old linen for recycling in 2015. Recycling of plastic bottles and aluminum cans by Burasari Resort brings in additional revenue to the hotel.
- Participation in `World No Tobacco Day', which falls on 31 May every year. Our hotels in Singapore and Malaysia do not sell cigarettes at its premises. Hotel Royal@Queens is a smoke-free hotel, while Hotel Royal Singapore will be entirely smoke-free by end of 2016.
- Collection of rainwater to water the plants and wash the bin centres.
- Collaboration with the Patong Hotel Association to clean up the famed Patong Beach in Phuket.

## AN ORGANISATION WITH A HEART

The Group is cognizant of its role in reaching out to the community as part our corporate culture. During the year in review, Hotel Royal Kuala Lumpur made efforts to engage in various community outreaches such as hosting a Chinese New Year dinner for the aged residents of Rumah Victory; a Ramadan event for the children of Al Qausar, and a donation of school items such as stationery, books, school uniforms and shoes at a Christmas outreach to the children at Rumah Tunas Harapan in Kuala Selangor. In 2015, Hotel Royal Kuala Lumpur raised RM 55,000 to build a play ground for Rumah Tunas Harapan, and its efforts were recognized by the Public Welfare Department of Selangor as well as the State's Chief Minister. Together with Super Bikers Club Malaysia, Johan Junior, LC Production Sdn Bhd, and Gardner & Wife Theatre, Hotel Royal Kuala Lumpur organized a charity super bike ride and a charity matinee show "Don't Let the Pigeon Drive the Bus", based on the book by renowned author Mo Willems, to raise funds for the playground.

Burasari Resort donated new chairs for Wadsuwankiriwong School in Patong, Phuket, while Hotel Royal Bangkok @ Chinatown participated in the "Bike For Dad" cycling event to celebrate the 88th birthday of Thailand's King Bhumibol Adulyadej on 5 December 2015. The series of events, which was held from 11-13 December in Thailand and 66 cities around the world, also comprised outdoor "Khon" performances and an exhibition at Amporn Sathan Palace. Hotel Royal Bangkok @ Chinatown was a designated safety zone for the event.

## SUPPORT OF THE ARTS

Hotel Royal Singapore sponsored room nights to its adopted arts group, The Practice Theatre, for four of its productions in 2015 including the National Story Challenge 2015, The Legends of the Southern Arch, M1 Chinese Theatre Festival 2015, and the Practice Lab's production, Upstream. Hotel Royal @ Queens supported the National Heritage Board's Night Festival with complimentary room nights. It also extended preferential rates for other arts events by the Singapore Chinese Orchestra, Esplanade Theatre by the Bay, Dance Ensemble, and Singapore Lyric Opera.

# PEOPLE REPORT

## At Hotel Royal, our human capital is our most valuable asset because our ability to deliver quality service and products depends on how well we can motivate and manage our employees.

With 780 staff members across the Group's network, our Group places a high priority in training of our staff to deliver the Royal distinction in our daily operations. With deliverables such as a distinctive service posture, well-appointed rooms, competitive room rates, as well as security and safety standards being high on the expectations of our customers, we find that it is absolutely mission critical to develop a precise strategy to develop and nurture our human capital.

Over the years, we had inculcated a quality culture that fosters a productive and nurturing work environment for our staff, which we hope, will translate into positive experiences for our guests. Apart from motivating and rewarding our employees with competitive wages, we also motivate them through structured in-house and external training and mentorship programmes with clear career pathways.

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 - "Every Room A Home" – through which we empower staff to enable them to deliver exceptional service to our guests. Internally, we have a service excellence mantra - our "We CARE" programme. We continually inculcate in all of our staff that customers are our main focus and that attitude adopted must be positive. We have to recognise the needs, wants and expectations of our customers in order for us to effectively and efficiently meet their expectations.

Apart from our comprehensive compensation and benefits programme, we also 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 recognized and nominated for the "Extra Mile Award".

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. As one of the few hotel management companies with ISO, Singapore Quality Class (Star) and Singapore Service Class certifications, our performance is continually being measured against the best in class.


H
It is our
HONOUR
to serve
every guest
O
We seize every
OPPORTUNITY
to serve with
excellence and
professionalism
M
The
MOMENT
of truth comes
when we deliver
our service well
E
We desire to
EXCEED
the expectations
of our
guests

## TRAINING

Burasari Resort also participated in 2 internship programmes – 2 trainees from Buriram Rajaphat University interned in the Resort's Food and Beverage (F&B) department, while 3 interns from Palian College in Trang in Southern Thailand worked at the Resort's Engineering department. The Resort also hosted 2 Management Trainees from Macao for training in the Front Office and F&B departments.

## APPRAISALS

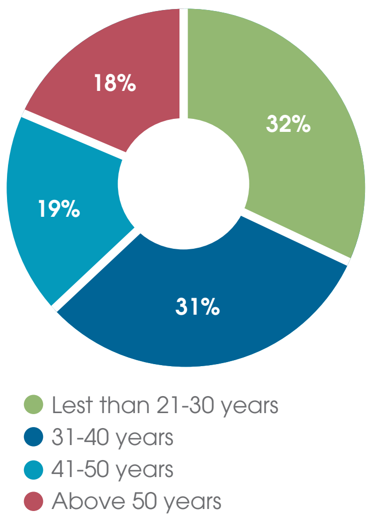
At Hotel Royal, we feel that appraisals should not be limited to only our assessment of staff performance. On an annual basis, we send out Employee Satisfaction Survey forms to get feedback from staff pertaining to their training needs, job satisfaction level, quality of the work environment, benefits and welfare. This is of importance to us and we seek to achieve a minimum of 80% rating in the annual survey. In addition, our senior management held regular communications sessions with staff to ensure effective flow of information and alignment of business goals and objectives across all levels of the workforce.

We also constantly monitor our performance in all aspects of our operations and our management team analysed every feedback form submitted by our guests. Our internal target is to achieve 90% rating in our annual Customer Satisfaction Survey and a minimum of 12 compliments for every complaint received. Management is committed to reading every feedback form submitted by our guests. In addition, we treat each Guest Incident Report as important and noteworthy reports are disseminated to all levels of staff to ensure follow through whenever compliance or rectification is required. These Incident Reports are also useful to highlight certain correct actions made by staff so that these case studies shall serve as useful references for other staff within the Group.

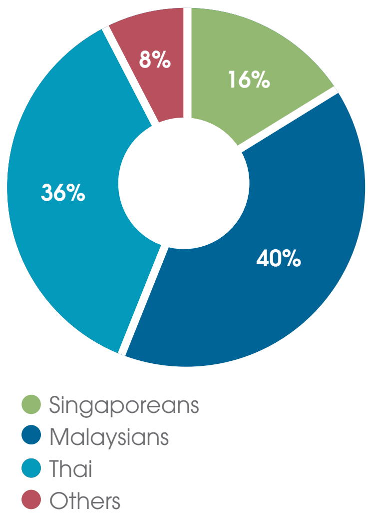
We believed that while complaints play a part in highlighting areas requiring improvement, compliments also play an equally important role in positive reinforcement. At Hotel Royal, we have put in place a positive reinforcement scheme where the number of compliments received per staff are tracked and linked to a points system which can be redeemed for shopping vouchers.

## GROUP EMPLOYEE PROFILE

### BY AGE




### BY NATIONALITIES



# GOING THE EXTRA MILE FOR OUR GUESTS

Housemaid Fauziah Bte Abdul Latiff, who has been with Hotel Royal Singapore for more than 7 years, is a friendly and helpful staff who exudes passion and professionalism in her work.

On a recent occasion, she was on duty outside the Jade Room Restaurant and saw a domestic helper having difficulty in wheeling an elderly lady into the restroom. Fauziah immediately offered assistance and even helped to settle the lady down safely on the toilet. Knowing that the helper would have problem getting the lady out of the restroom, Fauziah waited to assist her back to the restaurant. The lady was very grateful for Fauziah's kindness and offered some money to her but Fauziah politely declined, saying that she was only doing her job.

On another occasion, Fauziah found a smartphone in the men's restroom and handed it over to the Security department. When the owner contacted the hotel to report the loss of his phone, he was so relieved and asked to meet Fauziah to thank her personally. She too politely declined his offer of a monetary reward.

Most recently, when she heard customers talking about the ladies' restroom at the lobby level being wet due to a leaked pipe, she immediately alerted her supervisors to put up a sign to stop guests from using the affected restroom. Her quick action helped to prevent injury to guests and staff.

Her exemplary work attitude won her a string of accolades such as the SHA Award by the Singapore Hotel Association in 2015, "Outstanding Service Provider" Awards in 2009, 2014 and 2015, Honesty Awards in 2011, 2014 and 2015 as well as the Extra Mile Awards in 2011 and 2014.

# 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

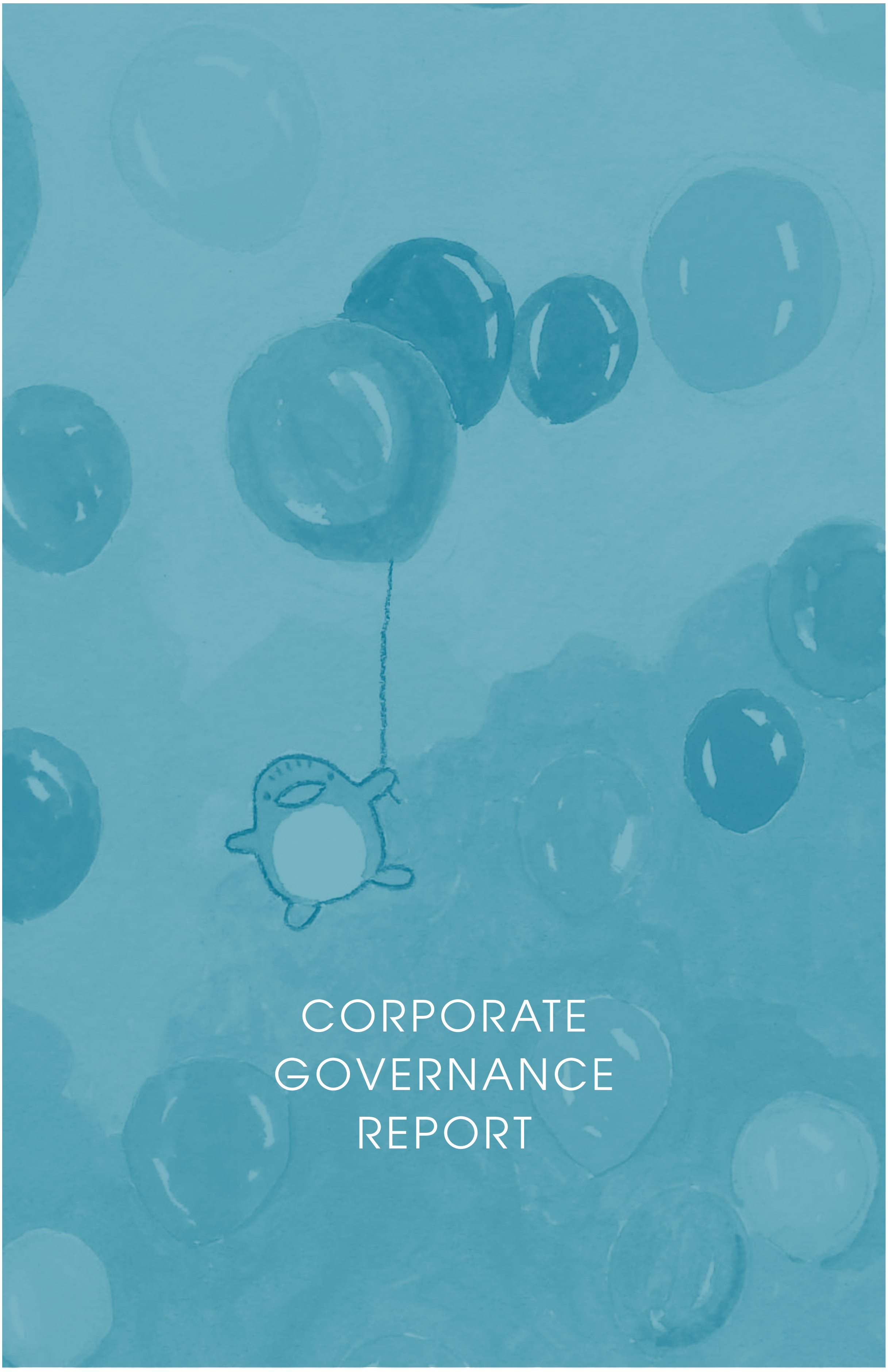
## 2012
Received Supporter of the Arts Award from National Arts Council
Received the SHA/Police/NCPC/STB Hotel Security Award

## 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.


Hotel Royal
Penang



# 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 Articles of Association 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 2015 ("FY2015"), the Board held five 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 Articles of Association.

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 FY2015 is shown below:

| Director | Board Meeting | Board Committee Meetings | | | Non-Executive Directors' Meeting (without presence of Management) | AGM |
|---|---|---|---|---|---|---|
| | | Audit & Risk | Nominating | Remuneration | | |
| Dr Lee Keng Thon | 5 | - | - | - | - | 1 |
| COL (Ret) Rodney How Seen Shing | 5 | 5 | 1 | 1 | 1 | 1 |
| Professor Pang Eng Fong | 5 | 5 | 1 | 1 | 1 | 1 |
| Dr Tan Kim Song [a] | 4 | 5* | 1* | 1 | 1 | 1 |
| Lee Khin Tien | 4 | 4 | 1 | 0 | - | 1 |
| Lee Kin Hong | 5 | - | - | - | - | 1 |
| **No. of Meeting Held in 2015** | **5** | **5** | **1** | **1** | **1** | **1** |

(a) Dr Tan Kim Song was appointed to the Board on 2 March 2015 and as member of Audit and Risk Committee on 25 April 2015. His attendance at the meetings of ARC on 25 April 2015 and NC on 26 February 2015 were by invitation.

### 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 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 only 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 company 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 20 and 21.

The shareholdings of the individual directors of the Company are set on page 76 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 Accounts Controller.

**Non-Executive 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 Articles of Association, 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 Articles of Association 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 (retiring pursuant to Article 117), Dr Lee Keng Thon, (Non-Executive Group Chairman), COL (Ret) Rodney How Seen Shing, (Lead Independent Director) and Professor Pang Eng Fong, (Independent Non-Executive Director) who are over the age of 70 were re-appointed as Directors to hold office from the date of the last AGM held on 25 April 2015 until this forthcoming AGM pursuant to Section 153(6) of the Companies Act. Section 153(6) of the Companies Act was repealed when the Companies (Amendment) Act 2014 came into effect on 3 January 2016. As their appointment lapse at this forthcoming AGM, Dr Lee Keng Thon, COL (Ret) Rodney How Seen Shing and Professor Pang Eng Fong will have to be re-appointed to continue in office. Upon their re-appointment at the conclusion of this forthcoming AGM, going forward, their re-appointment will no longer be subject to shareholders' approval under Section 153(6) which has been repealed. Dr Lee Keng Thon, COL (Ret) Rodney How Seen Shing and Professor Pang will then be subject to retirement by rotation pursuant to Company's Articles of Association/Constitution.

**Annual Review of Directors' Independence:** In recommending the above directors for re-appointment, 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 their competencies in fulfilling their responsibilities as directors to the Board. In respect of the nomination of Dr Lee Keng Thon, Non-Executive Chairman for re-appointment as director, the NC took note that Dr Lee Keng Thon is the brother of Mr Lee Khin Tien and Mr Lee Kin Hong. 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 | 25 April 2015 |
| COL (Ret) Rodney How Seen Shing | Lead Independent Non-Executive Director | 26 February1986 | 25 April 2015 |
| Professor Pang Eng Fong | Independent Non-Executive Director | 5 December 2011 | 25 April 2015 |
| Dr Tan Kim Song | Independent Non-Executive Director | 2 March 2015 | 25 April 2015 |
| Lee Khin Tien | Non-Executive Director | 31 December 1996 | 25 April 2015 |
| Lee Kin Hong | Non-Executive Director | 21 June 2002 | 26 April 2014 |

**Number of Meetings:** The NC held one meeting during FY2015.

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.

# CORPORATE GOVERNANCE REPORT

### 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.

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 are 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.

# CORPORATE GOVERNANCE REPORT

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 FY2015, 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 FY2015.

### 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 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 FY2015 is as follows:

**Annual Remuneration Report**
**Remuneration of Directors for FY2015**
**(in S$)**

| Name of Director | Director's Fee | | Total |
|---|---|---|---|
| | Company* | Subsidiaries | |
| Dr Lee Keng Thon | 48,000 | 12,407 | 60,407 |
| COL (Ret) Rodney How Seen Shing | 36,500 | - | 36,500 |
| Ng Kok Lip (Retired 25 April 2015) | 6,800 | - | 6,800 |
| Professor Pang Eng Fong | 33,500 | - | 33,500 |
| Dr Tan Kim Song (Appointed 2 March 2015) | 29,500 | - | 29,500 |
| Lee Khin Tien | 29,000 | 17,814 | 46,814 |
| Lee Kin Hong | 24,000 | 13,814 | 37,814 |
| **Total** | **207,300** | **44,035** | **251,335** |

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

# CORPORATE GOVERNANCE REPORT

**Remuneration of Chief Executive Officer for FY2015**
**(in S$)**

| Name of CEO | Fixed Remuneration | Variable Bonus | Benefit* | Subsidiaries' Director Fee | Central Provident Fund | Total Remuneration |
|---|---|---|---|---|---|---|
| Lee Chou Hock | 291,086 | 21,010 | 9,206 | 13,814 | 7,226 | 342,342 |

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

**Remuneration of Key Executives of the Group for FY2015**
**(in S$)**

| Name of Key Executive | Fixed Remuneration | Variable Bonus | Benefit* | Subsidiaries' Director Fee | Central Provident Fund | Total Remuneration |
|---|---|---|---|---|---|---|
| Lee Chin Chuan<br>Group Adviser | 125,474 | 7,436 | 14,390 | - | 6,377 | 153,677 |
| Lee Chou Hor George<br>General Manager<br>(Key Subsidiaries) | 258,825 | 20,195 | 6,181 | 13,111 | 19,247 | 317,559 |
| Lee Chu Bing<br>General Manager of<br>Hotel Royal @ Queens | 128,516 | 9,630 | 2,160 | - | 13,926 | 154,232 |
| Tay Kok Liang<br>Group Accounts<br>Controller | 118,916 | - | 903 | - | 6,690 | 126,509 |
| Wong Siew Choo<br>Group Revenue<br>Controller | 87,854 | - | 830 | - | 5,608 | 94,292 |

* Benefits for Mr Lee Chou Hor George and Mr Lee Chin Chuan were for meal and car benefits, and meal benefits for Mdm Tay Kok Liang and Mrs Wong Siew Choo.

Mr Lee Chou Hock (Chief Executive Officer) and Mr Lee Chou Hor George (General Manager, Key Subsidiaries) are the nephews 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. Mdm Tay Kok Liang is the niece and Mrs Wong Siew Choo is the sister of Dr Lee Keng Thon respectively.

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

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.

A summary of the Group Risk Factors and Risk Management is included in Page 73 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 Group Financial Controller ("GFC") 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 2015.

For FY2015, the Board and the ARC have received assurance from the CEO and the GFC 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 five meetings during FY 2015.

**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 balance sheet and profit and loss accounts 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.

**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 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 and 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, reviewed 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 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 2015.

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 FY2015, the Group incurred an aggregate of $434,000 to the external auditors, of which was $377,000 was for audit services and $57,000 was for non audit services.

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. Allegatlions 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 FY2015.

### 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 FY2015 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 has adequate resources and staffed by persons with the relevant qualifications and experience to perform its function effectively.

# CORPORATE GOVERNANCE REPORT

## 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 Time 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.

**Proxies and Observers:** Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Articles of Association 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 Articles of Association 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 FY2015 has been proposed for shareholders' approval at the coming AGM on 30 April 2016.

### 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 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 Articles of Association 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.

# CORPORATE GOVERNANCE REPORT

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 FY2015 is set out on page 110 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 FY2015.

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 and fixed deposits are placed with creditworthy financial institutions. The trade and other receivables presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on payment trends and prior experience. Investments are also subject to credit risk, which have been factored in the determination of their fair values.

   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 rate bearing liabilities and assets. Those exposures are managed as far as possible by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

   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 2015, approximately 9% (2014: 8%) of the Group's net assets is denominated in Malaysian ringgit and approximately 8% (2014: 9%) and 14% (2014: 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 prices.

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

# RISK FACTORS AND RISK MANAGEMENT

5. **Liquidity Risk**

   Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due.

   As at 31 December 2015, the Company's total current liabilities exceeded total current assets by $0.3 million due to the utilisation of short term credit facility with attractive interest rate. In 2014, the Company has net current assets of $0.7 million due to restructuring of short term bank loans to long-term bank loans during the year.

   The Group's net current asset of 31 December 2015 was $4.4 million (2014: $3.1 million).

   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 $177.9 million (2014: $151.9 million) and $91.6 million (2014: $106.3 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 while maximising the return to stakeholders through the optimisation of the debt and equity balance. 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 associated with each class of capital. The Group seeks to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the obtaining of new debts, refinancing or redemption of existing debts.

   The Group's overall strategy remains unchanged from 2014. 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 2015.

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 80 to 139 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 2015, 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 report 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 |

## 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.

**4 SHARE OPTIONS** (cont'd)

***(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 held five meetings during the financial year ended 31 December 2015 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 balance sheet and profit and loss accounts including reviewing the significant financial reporting issues and judgements 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 regarding the appointment, re-appointment and removal of the external auditors;

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

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

(k) Undertake such other review and projects as may be requested by the Board, 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.

# DIRECTORS' STATEMENT (cont'd)

**5 AUDIT AND RISK COMMITTEE** (cont'd)

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

18 March 2016

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF HOTEL ROYAL LIMITED AND ITS SUBSIDIARIES

**Report on the Financial Statements**

We have audited the consolidated financial statements of Hotel Royal Limited (the "Company") and its subsidiaries (the "Group") which comprise the statement of financial position of the Group and of the Company as at 31 December 2015, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 80 to 139.

**Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

**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.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

18 March 2016

# STATEMENTS OF FINANCIAL POSITION

31 December 2015

| | Note | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| | | $'000 | $'000 | $'000 | $'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | 6 | 17,037 | 17,834 | 2,770 | 3,073 |
| Held-for-trading investments | 7 | 3,743 | 6,267 | 620 | 798 |
| Available-for-sale investments | 8 | 8,230 | 8,702 | 1,697 | 1,601 |
| Trade receivables | 9 | 4,022 | 5,046 | 1,322 | 1,653 |
| Other receivables, deposits and prepaid expenses | 10 | 1,584 | 2,571 | 258 | 339 |
| Inventories | | 772 | 587 | 136 | 258 |
| Income tax recoverable | | 7 | 7 | - | - |
| Total current assets | | 35,395 | 41,014 | 6,803 | 7,722 |
| **Non-current assets** | | | | | |
| Subsidiaries | 11 | - | - | 162,473 | 142,154 |
| Available-for-sale investments | 8 | 3,434 | 4,323 | 1,088 | 1,413 |
| Other asset | 12 | 1,129 | 3,330 | - | - |
| Goodwill | 13 | 1,783 | 1,829 | - | - |
| Property, plant and equipment | 14 | 588,808 | 577,840 | 243,073 | 237,347 |
| Investment properties | 15 | 93,492 | 97,310 | 24,443 | 24,832 |
| Deferred tax assets | 21 | - | 104 | - | - |
| Total non-current assets | | 688,646 | 684,736 | 431,077 | 405,746 |
| **Total assets** | | 724,041 | 725,750 | 437,880 | 413,468 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bank loans | 16 | 19,814 | 26,567 | - | - |
| Trade payables | | 4,927 | 4,983 | 2,973 | 2,083 |
| Other payables | 17 | 3,823 | 3,922 | 2,933 | 3,728 |
| Current portion of finance lease | 18 | 20 | 35 | - | - |
| Income tax payable | | 2,369 | 2,376 | 1,207 | 1,178 |
| Total current liabilities | | 30,953 | 37,883 | 7,113 | 6,989 |

| | Note | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Non-current liabilities** | | | | | |
| Other payables | 17 | 110 | 668 | 26,807 | 24,484 |
| Retirement benefit obligations | 19 | 598 | 541 | - | - |
| Long-term bank loans | 20 | 137,345 | 128,192 | 58,164 | 43,488 |
| Finance lease | 18 | 14 | 45 | - | - |
| Deferred tax liabilities | 21 | 19,549 | 20,481 | 724 | 432 |
| Total non-current liabilities | | 157,616 | 149,927 | 85,695 | 68,404 |
| **Capital and reserves** | | | | | |
| Share capital | 22 | 100,438 | 100,438 | 100,438 | 100,438 |
| Asset revaluation reserve | | 352,360 | 339,497 | 210,108 | 206,108 |
| Employee benefit reserve | | 171 | 171 | - | - |
| Fair value reserve | | 1,730 | 3,228 | 460 | 642 |
| Translation reserve | | (14,623) | (2,097) | - | - |
| Retained earnings | | 95,396 | 96,703 | 34,066 | 30,887 |
| Total equity | | 535,472 | 537,940 | 345,072 | 338,075 |
| **Total liabilities and equity** | | 724,041 | 725,750 | 437,880 | 413,468 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

| | | The Group | |
|---|---|---|---|
| | Note | 2015 | 2014 |
| | | $'000 | $'000 |
| **Revenue** | 23 | 57,280 | 56,687 |
| **Cost of sales** | | (28,093) | (26,683) |
| **Gross profit** | | 29,187 | 30,004 |
| Distribution costs | | (1,015) | (1,291) |
| Administrative expenses | | (14,780) | (11,805) |
| Other income | 24 | 2,193 | 3,561 |
| Other expenses | | (4,828) | (2,575) |
| Finance costs | 25 | (5,124) | (3,627) |
| **Profit before income tax** | 26 | 5,633 | 14,267 |
| Income tax expense | 27 | (2,740) | (3,089) |
| **Profit for the year attributable to owners of the Company** | | 2,893 | 11,178 |
| Basic earnings per share (cents) | 28 | 3.44 cents | 13.31 cents |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

| | Note | The Group 2015 $'000 | The Group 2014 $'000 |
|---|---|---|---|
| **Profit for the year** | | 2,893 | 11,178 |
| **Other comprehensive income:** | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | |
| Increase in valuation of freehold land - hotels | 14 | 12,945 | 22,108 |
| Deferred tax relating to revaluation gains on land | | (82) | (113) |
| Total | | 12,863 | 21,995 |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Available-for-sale investments: | | | |
| Fair value gain recognised in fair value reserve | | (573) | 236 |
| Transfer from fair value reserve to profit or loss upon disposal of available-for-sale investments | | (925) | 232 |
| Exchange differences on translation of foreign operations | | (12,526) | 624 |
| Total | | (14,024) | 1,092 |
| **Other comprehensive income for the year, net of tax** | | (1,161) | 23,087 |
| **Total comprehensive income for the year attributable to owners of the Company** | | 1,732 | 34,265 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

| | 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 2014 | 100,438 | 317,502 | 171 | 2,760 | (2,721) | 89,725 | 507,875 |
| Total comprehensive income for the year | | | | | | | |
| Profit for the year | - | - | - | - | - | 11,178 | 11,178 |
| Other comprehensive income for the year | - | 21,995 | - | 468 | 624 | - | 23,087 |
| Total | - | 21,995 | - | 468 | 624 | 11,178 | 34,265 |
| Transactions with owners, recognised directly in equity | | | | | | | |
| Final dividends (Note 33) | - | - | - | - | - | (4,200) | (4,200) |
| Balance at 31 December 2014 | 100,438 | 339,497 | 171 | 3,228 | (2,097) | 96,703 | 537,940 |
| Total comprehensive income for the year | | | | | | | |
| Profit for the year | - | - | - | - | - | 2,893 | 2,893 |
| Other comprehensive income for the year | - | 12,863 | - | (1,498) | (12,526) | - | (1,161) |
| Total | - | 12,863 | - | (1,498) | (12,526) | 2,893 | 1,732 |
| Transactions with owners, recognised directly in equity | | | | | | | |
| Final dividends (Note 33) | - | - | - | - | - | (4,200) | (4,200) |
| Balance at 31 December 2015 | 100,438 | 352,360 | 171 | 1,730 | (14,623) | 95,396 | 535,472 |

| | Share capital $'000 | Asset revaluation reserve $'000 | Fair value reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| **The Company** | | | | | |
| Balance at 1 January 2014 | 100,438 | 206,108 | 656 | 26,236 | 333,438 |
| Profit for the year, representing total comprehensive income for the year | - | - | (14) | 8,851 | 8,837 |
| Transactions with owners, recognised directly in equity | | | | | |
| Final dividends (Note 33) | - | - | - | (4,200) | (4,200) |
| Balance at 31 December 2014 | 100,438 | 206,108 | 642 | 30,887 | 338,075 |
| Profit for the year, representing total comprehensive income for the year | - | 4,000 | (182) | 7,379 | 11,197 |
| Transactions with owners, recognised directly in equity | | | | | |
| Final dividends (Note 33) | - | - | - | (4,200) | (4,200) |
| Balance at 31 December 2015 | 100,438 | 210,108 | 460 | 34,066 | 345,072 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| **Operating activities** | | |
| Profit before income tax | 5,633 | 14,267 |
| Adjustments for: | | |
| Allowance for doubtful receivables | 235 | 201 |
| Bad debt recovered | (2) | (12) |
| Bad debt written off | 151 | 29 |
| Depreciation expense | 8,731 | 6,853 |
| Dividend income | (385) | (434) |
| Fair value loss (gain) on held-for-trading investments | 145 | (110) |
| Gain on disposal of available-for-sale investments | (1,282) | (232) |
| Gain on disposal of property, plant and equipment | (2) | - |
| Impairment loss on available-for-sale investments | 317 | 145 |
| Impairment loss on goodwill | 1,384 | - |
| Impairment loss on property, plant and equipment | 829 | - |
| Interest expense | 5,124 | 3,627 |
| Interest income | (212) | (193) |
| Write back of allowance for doubtful receivables | (343) | (712) |
| Operating cash flows before movements in working capital | 20,323 | 23,429 |
| | | |
| Available-for-sale investments | (1,559) | (351) |
| Held-for-trading investments | 2,379 | (1,013) |
| Inventories | (25) | 196 |
| Trade and other payables | (714) | (1,361) |
| Trade and other receivables | 4,171 | (194) |
| Cash generated from operations | 24,575 | 20,706 |
| | | |
| Dividend received | 385 | 434 |
| Interest paid | (5,124) | (3,627) |
| Interest received | 212 | 193 |
| Income tax paid | (2,547) | (2,997) |
| Net cash from operating activities | 17,501 | 14,709 |

# CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Year ended 31 December 2015

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| **Investing activities** | | |
| Acquisition of a subsidiary (Note 34) | (9,943) | (35,046) |
| Additions to investment properties | (2,864) | (2,342) |
| Additions to property, plant and equipment (Note A) | (11,158) | (22,142) |
| Proceeds from disposal of available-for-sale investments | 6,431 | 5,560 |
| Proceeds from disposal of property, plant and equipment | 17 | - |
| Purchase of available-for-sale investments | (4,045) | (5,715) |
| Net cash used in investing activities | (21,562) | (59,685) |
| **Financing activities** | | |
| Dividends paid | (4,200) | (4,200) |
| Fixed deposits pledged to banks | 87 | 8 |
| Proceeds from bank loans | 30,605 | 107,721 |
| Repayment of bank loans | (23,308) | (59,726) |
| Repayment of finance lease | (46) | (11) |
| Net cash from financing activities | 3,138 | 43,792 |
| Net decrease in cash and cash equivalents | (923) | (1,184) |
| Cash and cash equivalents at beginning of year | 17,107 | 19,365 |
| Effect of currency exchange adjustment | 213 | (1,074) |
| Cash and cash equivalents at end of year (Note 6) | 16,397 | 17,107 |

Note A

In 2014, the Group acquired property, plant and equipment with aggregate cost of $22.207 million of which $65,000 was acquired under finance lease agreement.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2015

## 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 2015 were authorised for issue by the board of directors on 18 March 2016.

## 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 Singapore Financial Reporting Standards ("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.

**ADOPTION OF NEW AND REVISED STANDARDS** – On 1 January 2015, 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.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

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

- FRS 109 *Financial Instruments* [(2)]
- FRS 115 *Revenue from Contracts with Customers* [(2)]
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative* [(1)]
- Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation* [(1)]
- Improvements to Financial Reporting Standards (November 2014) [(1)]

(1) Applies to annual periods beginning on or after 1 January 2016, with early application permitted.
(2) Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

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

**FRS 109 Financial Instruments**

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

Key requirements of FRS 109:

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Under FRS 109, debt investments that are held within a business model whose objective is to collect the contractual cash flows comprising solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each accounting period. Debt instruments that are held within a business model whose objective is achieved both by selling financial assets and by collecting contractual cash flows comprising solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of each accounting period. In addition, under FRS 109, 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, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Consequently, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

With the adoption of FRS 109, fair value changes relating to debt instruments held in the foreign investment portfolio will be recorded in other comprehensive income instead of the statement of profit or loss.

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

**FRS 115 Revenue from Contracts with Customers**

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

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration 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 FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Based on the existing nature of revenue for the Group and the Company, management does not expect the application of these amendments to FRS 115 to have a significant impact to the financial statements of the Group and of the Company in the period of initial application.

The management anticipates that the adoption of the other FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except that fair value changes of debt instruments held as investments.

**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.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

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.

**Changes in the Group's ownership interests in existing subsidiaries**

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

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

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

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

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.

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

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.

The accounting policy for initial measurement of non-controlling interests is described above.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments 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".

**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.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

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 (d)(vi).

<u>Available-for-sale financial assets</u>

Certain shares and debt securities held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 4 (d)(vi). Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of 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. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

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.

<u>Loans and receivables</u>

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.

<u>Impairment of financial assets</u>

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.

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

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.

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.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

Derecognition of financial assets

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

Cash and cash equivalents

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.

**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.

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.

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 hotel is 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 that 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 and 94 years when acquired in 2015) |
| Freehold buildings - hotels | 45 to 80 |
| Building improvements - hotels | 10 to 25 |
| Plant and equipment | 3 to 10 |

Depreciation is not provided on freehold land.

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Fully depreciated assets still in use are retained in the financial statements.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

**INVESTMENT PROPERTIES** - Investment properties are held on a long-term basis for investment potential and income. Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost, other than freehold land, over their estimated useful lives of 50 to 80 years, using the straight-line method. Acquired leasehold buildings are depreciated over the shorter of remaining useful life or the terms of the relevant lease.

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**GOODWILL** - Goodwill arising in business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net amounts of the identifiable assets acquired and liabilities assumed, at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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.

**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.

<u>The Group as lessor</u>
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.

<u>The Group as lessee</u>
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.

**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.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

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

**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 based on room occupancy while other hotel related revenue is 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, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

**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.

The Thailand and Malaysian subsidiaries 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 being 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.

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

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. 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.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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

Recording of fair valuation gains on properties

Management has adopted a policy of recording fair value gains for land on which hotels are sited while maintaining the hotels and equipment at depreciated cost.

Fair value changes for investment properties are disclosed in the financial statements but are not recorded in the statement of financial position.

The above accounting policies are alternatives available under the financial reporting standards and have been consistently applied by the Group.

Recoverable amount of investments in subsidiaries in the Company's statement of financial position

The carrying amounts of investments in subsidiaries, including advances 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.

There are no other critical judgements, apart from those involving estimates (see below), that management has made in the process of apply the Group's accounting policies and that have significant effect on the amounts recognised in the financial statements.

***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.

Freehold hotel land at revalued amounts (Note 14)

Management engages independent professional valuers to assess the market values of freehold hotel land on an annual basis to ensure that their revalued carrying amounts are not materially different from their fair values as at end of the reporting period. The market values as at 31 December 2015 were assessed by independent professional valuers, taking into account open market values of comparable properties in the respective countries in Singapore, Malaysia and Thailand; and projected occupancy rates, room rates, other income and expenses of the respective hotels. The valuation methods and the significant inputs impacting the estimates of fair values are described in Note 14.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

Useful lives of investment properties and property, plant and equipment

Management exercises their judgement in estimating the useful lives of the depreciable assets which takes 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 return the physical and economic viability of buildings. 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 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.

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Fair value through profit or loss (FVTPL): | | | | |
| Held-for-trading investments | 3,743 | 6,267 | 620 | 798 |
| Loans and receivables (including cash and bank balances) | 21,711 | 24,867 | 102,070 | 82,455 |
| Available-for-sale investments | 11,664 | 13,025 | 2,785 | 3,014 |
| **Financial liabilities** | | | | |
| Amortised cost | 166,053 | 164,412 | 88,272 | 71,652 |
| Financial guarantee | - | - | 2,605 | 2,131 |

(b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group and the Company does 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.

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates and equity prices.

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

*(c) Financial risk management policies and objectives (cont'd)*

The Group invests in a variety of financial instruments such as bonds, fixed income funds and equity shares as disclosed in Notes 7 and 8. These investments 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 (Notes 7 and 8). 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.

There has been no change to the Group's exposure to financial risks or the manner in which it manages and measures the risks.

*(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 kept 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. Summary quantitative data of the Group's interest-bearing financial instruments can be found in Section (v) below.

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

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to variable interest rates for financial assets and financial liabilities at the end of the reporting period. A 50 basis point increase or decrease is used when management assesses sensitivity to interest rate risk.

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 (2014 : decrease/increase by $0.8 million). This is attributable to the Group's short-term and long-term bank borrowings.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

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

(ii) Interest rate risk (cont'd)

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

The Group's foreign currency exposures arose mainly from the exchange rate movements of United States dollar, Euro, Australian dollar, British pound, Malaysian ringgit, Hong Kong dollar and Thai baht vis-a-vis the functional currencies of the Group entities.

At the reporting date, the carrying amounts of financial assets and liabilities denominated in currencies other than the functional currency of the respective entities in the Group are as follows:

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Assets | | Liabilities | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| United States dollar | 4,378 | 4,452 | - | - | 1,121 | 963 | - | - |
| Euro | 548 | 808 | - | - | - | - | - | - |
| Australian dollar | 540 | 544 | - | - | - | - | - | - |
| British pound | 117 | 167 | - | - | - | - | - | - |
| Malaysian ringgit | 332 | 460 | - | - | - | - | - | - |
| Hong Kong dollar | 705 | 451 | - | - | 366 | 316 | - | - |
| Japanese yen | 20 | 2 | - | - | - | - | - | - |
| Thai baht | 91 | 90 | - | - | 91 | 90 | - | - |

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.

*Foreign currency sensitivity*

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each entity in the Group using the monetary amounts denominated in foreign currency at the period.

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

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

(iii) Foreign currency risk (cont'd)

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

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

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Impact arising from | | |
| United States dollar | 62 | 59 |
| Euro | - | 4 |
| Australian dollar | 19 | 20 |
| British pound | 1 | 1 |
| Hong Kong dollar | 1 | 18 |
| Japanese yen | 1 | - |
| Thai baht | 5 | 4 |

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

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Impact arising from | | |
| United States dollar | 157 | 164 |
| Euro | 27 | 36 |
| Australian dollar | 8 | 7 |
| British pound | 5 | 7 |
| Hong Kong dollar | 34 | 4 |
| Malaysian ringgit | 17 | 23 |

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.

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 | |
|---|---|---|
| | 2015 | 2014 |
| | % | % |
| Malaysia | 9 | 8 |
| New Zealand | 8 | 9 |
| Thailand | 14 | 14 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

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

(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 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 $0.4 million (2014 : $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 $1.2 million (2014 : $1.3 million) respectively for price changes affecting available-for-sale investments.

(v) Liquidity risk

As at 31 December 2015, the Company's total current liabilities exceeded total current assets by $0.3 million.

The Group's net current assets at 31 December 2015 was $4,442,000 (2014 : $3,131,000).

At the end of the year, the Group and the Company have unutilised credit facilities totaling $177.9 million (2014 : $151.9 million) and $91.6 million (2014 : $106.3 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.

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

*(d) Exposure to financial risks (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 | | After 5 years | | Adjustment | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | %p.a. | %p.a. | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial Liabilities** | | | | | | | | | | | | |
| **The Group** | | | | | | | | | | | | |
| Non-interest bearing | NA | NA | 8,750 | 8,905 | 110 | 668 | - | - | - | - | 8,860 | 9,573 |
| Finance lease liability (Fixed rate) | 7.72 | 6.98 | 23 | 41 | 14 | 50 | - | - | (3) | (11) | 34 | 80 |
| Variable interest rate instruments | 2.81 | 2.76 | 20,876 | 30,840 | 139,045 | 137,570 | - | - | (2,762) | (13,651) | 157,159 | 154,759 |
| **The Company** | | | | | | | | | | | | |
| Non-interest bearing | NA | NA | 5,906 | 5,811 | - | - | - | - | - | - | 5,906 | 5,811 |
| Variable interest rate instruments | 2.15 | 1.60 | 1,724 | 1,087 | 88,700 | 71,626 | - | - | (5,453) | (4,741) | 84,971 | 67,972 |

NA: not applicable.

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.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

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

| | Weighted average effective interest rate | | On demand or within 1 year | | Within 2 to 5 years | | Adjustment | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | %p.a. | %p.a. | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial Assets** | | | | | | | | | | |
| **The Group** | | | | | | | | | | |
| Non-interest bearing | NA | NA | 32,468 | 38,209 | 3,434 | 4,323 | - | - | 35,902 | 42,532 |
| Fixed interest rate instruments | 2.73 | 2.33 | 1,236 | 1,666 | - | - | (20) | (39) | 1,216 | 1,627 |
| **The Company** | | | | | | | | | | |
| Non-interest bearing | NA | NA | 6,601 | 7,364 | 1,088 | 1,413 | - | - | 7,689 | 8,777 |
| Fixed interest rate instruments | NA | 1.66 | - | 349 | - | 22,496 | - | (1,748) | - | 21,097 |
| Variable interest rate instruments | 3.10 | 1.36 | 1,490 | 767 | 103,745 | 59,461 | (7,449) | (3,835) | 97,786 | 56,393 |

(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 management considers that 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 long term borrowings are floating rate loans based on market interest rates and their carrying amounts approximate their fair values.

*(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.

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

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

(vi) Fair value of financial assets and financial liabilities (cont'd)

| | Level 1 | | Level 3 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| **The Group** | | | | |
| Held-for-trading investments | | | | |
| - Quoted bonds | 1,519 | 4,073 | - | - |
| - Quoted fixed income funds | 2,019 | 1,276 | - | - |
| - Quoted money market fund | - | 437 | - | - |
| - Quoted commodity index | 89 | 94 | - | - |
| - Unquoted managed funds | - | - | 116 | 387 |
| Available-for sale investments | | | | |
| - Quoted equity shares | 11,153 | 11,741 | - | - |
| - Unquoted equity shares | - | - | 511 | 773 |
| **The Company** | | | | |
| Held-for-trading investments | | | | |
| - Quoted bonds | 513 | 523 | - | - |
| - Unquoted managed funds | - | - | 107 | 275 |
| Available-for sale investments | | | | |
| - Quoted equity shares | 2,274 | 2,503 | - | - |
| - Unquoted equity shares | - | - | 511 | 511 |

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.

*(e) Capital risk management policies and objectives*

The Group's overall strategy for managing capital remains unchanged from 2014. Capital of the Group is managed to ensure that entities in the Group will be able to continue as going concerns and return to stakeholders are optimised through a mix of equity, short-term and long-term debt.

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 compliant with these covenants.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

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

*(e) Capital risk management policies and objectives (cont'd)*

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

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Total debt | 157,193 | 154,839 |
| Total assets | 724,041 | 725,750 |
| Total equity | 535,472 | 537,940 |
| Debt-to-total assets ratio | 22% | 21% |
| Debt-to-total equity ratio | 29% | 29% |

**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 | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Short-term benefits | 906 | 978 |
| Post-employment benefits | 26 | 21 |
| | 932 | 999 |

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 | |
|---|---|---|
| | **2015** | **2014** |
| | **$'000** | **$'000** |
| Fees paid to a medical practice owned by a director | 45 | 47 |
| Rental allowance paid to key management personnel | 22 | 22 |
| Commission paid to a related party for property management services | 34 | 37 |
| Sales of food and beverage | 3 | 2 |
| Advertising expenses | 12 | 11 |

## 6 CASH AND BANK BALANCES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash on hand | 144 | 154 | 65 | 78 |
| Cash at bank | 15,677 | 16,053 | 2,705 | 2,995 |
| Fixed deposits | 1,216 | 1,627 | - | - |
| Total | 17,037 | 17,834 | 2,770 | 3,073 |
| Less: Fixed deposits pledged | (640) | (727) | - | - |
| Cash and cash equivalents | 16,397 | 17,107 | 2,770 | 3,073 |

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

Fixed deposits earn interest ranging from 2.25% to 3.30% (2014 : 2.20% to 3.30%) per annum and for terms ranging from 30 to 270 days (2014 : 30 to 210 days) for the Group.

## 7 HELD-FOR-TRADING INVESTMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Quoted bonds | 1,519 | 4,073 | 513 | 523 |
| Quoted fixed income funds | 2,019 | 1,276 | - | - |
| Quoted money market fund | - | 437 | - | - |
| Quoted commodity index | 89 | 94 | - | - |
| Unquoted managed funds | 116 | 387 | 107 | 275 |
| | 3,743 | 6,267 | 620 | 798 |

## 8 AVAILABLE-FOR-SALE INVESTMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| ***Current assets*** | | | | |
| Quoted equity shares | 8,230 | 8,440 | 1,697 | 1,601 |
| Unquoted equity share | - | 262 | - | - |
| | 8,230 | 8,702 | 1,697 | 1,601 |
| ***Non-current assets*** | | | | |
| Quoted equity shares | 2,923 | 3,812 | 577 | 902 |
| Unquoted equity share - at cost | 511 | 511 | 511 | 511 |
| | 3,434 | 4,323 | 1,088 | 1,413 |
| Total | 11,664 | 13,025 | 2,785 | 3,014 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

**8 AVAILABLE-FOR-SALE INVESTMENTS** (cont'd)

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 are held for long term investments.

**9 TRADE RECEIVABLES**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | 4,416 | 5,563 | 1,682 | 1,932 |
| Related parties [1] | 34 | 39 | - | - |
| | 4,450 | 5,602 | 1,682 | 1,932 |
| Less: Allowance for doubtful receivables | (428) | (556) | (360) | (279) |
| | 4,022 | 5,046 | 1,322 | 1,653 |

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

The credit period granted to customers is generally 30 days (2014 : 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 $1.3 million (2014 : $0.7 million) ranges from 31 to 60 days (2014 : 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.

Movement in the allowance for doubtful trade receivables:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of the year | 556 | 805 | 279 | 166 |
| Increase in allowance | 235 | 201 | 235 | 130 |
| Amounts written off during the year | - | (221) | - | (17) |
| Write-back of allowance | (343) | (230) | (154) | - |
| Exchange adjustment | (20) | 1 | - | - |
| Balance at end of the year | 428 | 556 | 360 | 279 |

## 10 OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Outside parties | 566 | 1,683 | 168 | 238 |
| Refundable deposits | 396 | 304 | - | - |
| Prepaid expenses | 622 | 584 | 90 | 101 |
| | 1,584 | 2,571 | 258 | 339 |

Movement in the allowance for doubtful other receivables:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of the year | - | 482 | - | - |
| Write-back of allowance | - | (482) | - | - |
| Balance at end of the year | - | - | - | - |

In 2013, a subsidiary made payments to a contractor appointed to renovate a hotel. The appointment was subsequently terminated due to dissatisfactory performance. An amount of $482,000 was recorded as a refundable deposit and an allowance for doubtful receivable was made.

In 2014, the former contractor appealed against the favourable judgement of Thai Baht 38.38 million ($1.5 million) awarded to the subsidiary. The contractor has no financial capacity to pay the judgement debts and the subsidiary is seeking to recover from the shareholder of the contracting firm. The case remains open and none of the claimed amount is recorded as a receivable.

In 2014, management had recorded the amount of $482,000 as cost of the subsidiary's hotel and the allowance for doubtful debt was written back.

## 11 SUBSIDIARIES

| | The Company | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Unquoted equity shares - at cost | 56,564 | 56,564 |
| Additional funds provided to subsidiaries | 97,810 | 77,491 |
| Deemed investment in subsidiaries arising from fair value of corporate guarantees given to banks which extend credit facilities to the subsidiaries | 8,099 | 8,099 |
| | 162,473 | 142,154 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

**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 |
|---|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 | |
| | | % | % | % | % | |
| 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 | - | 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 |

## 11 SUBSIDIARIES (cont'd)

| Name of subsidiary | Country of incorporation and operation | Proportion of ownership interest | | Proportion of voting power held | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 | |
| | | % | % | % | % | |
| 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 |

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 and bear interest ranging from 1.76% to 3.41% (2014 : 1.34% to 2.13%) 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.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

## 12 OTHER ASSET

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Lease incentives | 1,335 | 1,732 |
| Less: Current portion included in trade receivables | (310) | - |
| Non-current portion | 1,025 | 1,732 |
| Deposits | 104 | 1,598 |
| | 1,129 | 3,330 |

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.

## 13 GOODWILL

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| At beginning of the year | 1,829 | 123 |
| Arising from acquisition of subsidiaries (Note 34) | 1,499 | 1,623 |
| Impairment loss during the year | (1,384) | - |
| Exchange adjustment | (161) | 83 |
| At end of the year | 1,783 | 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 2.50% to 3.50% (2014 : 3% to 3.75%) per annum.

**13 GOODWILL** (cont'd)

The rate used to discount the forecast cash flows to present values range is 11%. (2014 : 11.25% to 12%) per annum.

In estimating impairment loss in 2015, management take into consideration the fair value of the identifiable assets and liabilities of the cash generating unit which exceeds the discounted present value of future net cash flows of the cash generating unit. The principal fair value estimate was the value given to the hotel property by a professional valuer.

**14 PROPERTY, PLANT AND EQUIPMENT**

| | Freehold land - hotels | Leasehold land | Freehold buildings - hotels | Building Improvements - hotels | Plant and equipment | Linen, china glassware, silver and uniform | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **The Group** | | | | | | | |
| Cost or valuation: | | | | | | | |
| As at 1 January 2014 | 386,976 | - | 97,134 | 4,127 | 32,042 | 431 | 520,710 |
| Arising from acquisition of subsidiary (Note 34) | 19,950 | - | 25,231 | 5,163 | 956 | - | 51,300 |
| Additions | - | - | 14,077 | 5 | 7,545 | 580 | 22,207 |
| Disposals | - | - | - | (1) | (27) | - | (28) |
| Revaluation gain | 22,108 | - | - | - | - | - | 22,108 |
| Exchange adjustment | 932 | - | 1,515 | (44) | (102) | 14 | 2,315 |
| As at 31 December 2014 | 429,966 | - | 137,957 | 9,250 | 40,414 | 1,025 | 618,612 |
| Arising from acquisition of subsidiary (Note 34) | 4,398 | 859 | 3,124 | - | 63 | - | 8,444 |
| Reclassify to inventories | - | - | - | - | - | (319) | (319) |
| Additions | - | - | - | 626 | 10,291 | 241 | 11,158 |
| Disposals | - | - | - | (233) | (211) | - | (444) |
| Revaluation gain | 12,945 | - | - | - | - | - | 12,945 |
| Exchange adjustment | (4,823) | (117) | (7,331) | (242) | (1,566) | (22) | (14,101) |
| As at 31 December 2015 | 442,486 | 742 | 133,750 | 9,401 | 48,991 | 925 | 636,295 |
| Comprising: | | | | | | | |
| 31 December 2015 | | | | | | | |
| At valuation | 442,486 | - | - | - | - | - | 442,486 |
| At cost | - | 742 | 133,750 | 9,401 | 48,991 | 925 | 193,809 |
| Total | 442,486 | 742 | 133,750 | 9,401 | 48,991 | 925 | 636,295 |
| 31 December 2014 | | | | | | | |
| At valuation | 429,966 | - | - | - | - | - | 429,966 |
| At cost | - | - | 137,957 | 9,250 | 40,414 | 1,025 | 188,646 |
| Total | 429,966 | - | 137,957 | 9,250 | 40,414 | 1,025 | 618,612 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

## 14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Freehold land - hotels $'000 | Leasehold land $'000 | Freehold buildings - hotels $'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 2014 | - | - | 13,899 | 3,475 | 17,621 | 221 | 35,216 |
| Charge for the year | - | - | 1,513 | 146 | 3,728 | 161 | 5,548 |
| Disposals | - | - | - | (1) | (27) | - | (28) |
| Exchange adjustment | - | - | (19) | 54 | (4) | 5 | 36 |
| As at 31 December 2014 | - | - | 15,393 | 3,674 | 21,318 | 387 | 40,772 |
| Charge for the year | - | 15 | 2,082 | 264 | 4,905 | 211 | 7,477 |
| Reclassify to inventories | - | - | - | - | - | (160) | (160) |
| Disposals | - | - | - | (229) | (200) | - | (429) |
| Exchange adjustment | - | - | (516) | (35) | (445) | (6) | (1,002) |
| As at 31 December 2015 | - | 15 | 16,959 | 3,674 | 25,578 | 432 | 46,658 |
| Accumulated impairment loss: | | | | | | | |
| Charge for the year and 31 December 2015 | - | - | 829 | - | - | - | 829 |
| Carrying amount: | | | | | | | |
| As at 31 December 2015 | 442,486 | 727 | 115,962 | 5,727 | 23,413 | 493 | 588,808 |
| As at 31 December 2014 | 429,966 | - | 122,564 | 5,576 | 19,096 | 638 | 577,840 |

## 14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Freehold land - hotels | Freehold buildings - hotels | Building Improvements - hotels | Plant and equipment | Linen, china glassware, silver and uniform | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **The Company** | | | | | | |
| Cost or valuation: | | | | | | |
| As at 1 January 2014 | 228,000 | 7,985 | 3,344 | 16,842 | 398 | 256,569 |
| Additions | - | - | - | 2,261 | - | 2,261 |
| As at 31 December 2014 | 228,000 | 7,985 | 3,344 | 19,103 | 398 | 258,830 |
| Additions | - | - | - | 3,180 | - | 3,180 |
| Disposals | - | - | (227) | (38) | - | (265) |
| Revaluation gain | 4,000 | - | - | - | - | 4,000 |
| As at 31 December 2015 | 232,000 | 7,985 | 3,117 | 22,245 | 398 | 265,745 |
| | | | | | | |
| Comprising: | | | | | | |
| 31 December 2015 | | | | | | |
| At valuation | 232,000 | - | - | - | - | 232,000 |
| At cost | - | 7,985 | 3,117 | 22,245 | 398 | 33,745 |
| Total | 232,000 | 7,985 | 3,117 | 22,245 | 398 | 265,745 |
| | | | | | | |
| 31 December 2014 | | | | | | |
| At valuation | 228,000 | - | - | - | - | 228,000 |
| At cost | - | 7,985 | 3,344 | 19,103 | 398 | 30,830 |
| Total | 228,000 | 7,985 | 3,344 | 19,103 | 398 | 258,830 |
| | | | | | | |
| Accumulated depreciation: | | | | | | |
| As at 1 January 2014 | - | 6,986 | 3,305 | 9,725 | 217 | 20,233 |
| Charge for the year | - | 28 | 23 | 1,199 | - | 1,250 |
| As at 31 December 2014 | - | 7,014 | 3,328 | 10,924 | 217 | 21,483 |
| Charge for the year | - | 28 | 16 | 1,401 | - | 1,445 |
| Disposals | - | - | (227) | (29) | - | (256) |
| As at 31 December 2015 | - | 7,042 | 3,117 | 12,296 | 217 | 22,672 |
| | | | | | | |
| Carrying amount: | | | | | | |
| As at 31 December 2015 | 232,000 | 943 | - | 9,949 | 181 | 243,073 |
| | | | | | | |
| As at 31 December 2014 | 228,000 | 971 | 16 | 8,179 | 181 | 237,347 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

**14 PROPERTY, PLANT AND EQUIPMENT** (cont'd)

Property, plant and equipment of the Group and the Company with carrying amounts of $564.9 million and $232.9 million (2014 : $558.1 million and $229.0 million) respectively are pledged as securities for the Group's and the Company's bank loans as disclosed in Notes 16 and 20.

The carrying amount of the Group's plant and equipment includes an amount of $36,407 (2014 : $90,983) in respect of assets held under finance lease.

Fair value measurement of freehold land and hotel building

The Group engages independent professional valuers to assess the fair values of the freehold land and hotels on an annual basis. The fair values are estimated by reference to open market values of comparable properties on existing use basis, and also considering the projected occupancy rates, room rates, other income and expenses of the respective hotels. The estimated fair values as at the end of each reporting period of the Group's freehold land and hotels are as follows:

| | 2015 | 2014 |
|---|---|---|
| | $'000 | $'000 |
| **The Group** | | |
| Freehold land: | | |
| Singapore | 378,300 | 367,000 |
| Malaysia | 27,487 | 25,326 |
| Thailand | 36,699 | 37,640 |
| Freehold hotel buildings and equipment: | | |
| Singapore | 146,000 | 148,000 |
| Malaysia | 60,536 | 66,074 |
| Thailand | 57,291 | 57,600 |
| **The Company** | | |
| Freehold land | 232,000 | 228,000 |
| Freehold hotel building and equipment | 74,000 | 72,000 |

Revaluation increase/decrease is recognised only for freehold hotel land in accordance with the Group's accounting policies. Revaluation increase/decrease is not recognised for freehold hotel building.

Each property comprising land and existing building sited on the land is valued in its entirety. For accounting purposes, the value of the land is the difference between the value of the property as a whole and the depreciated replacement value of the buildings.

As at 31 December 2015, had hotel land been carried at historical cost, their aggregate carrying amount would have been approximately $73.1 million (2014 : $67.8 million) for the Group and $1.0 million (2014 : $1.0 million) for the Company.

At 31 December 2015 and 2014, fair values of the Group's freehold land and hotel building 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 2015 and 2014 were as follows:

## 14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Valuation Methodology | Significant unobservable inputs (Level 3) | Inputs 2015 | Inputs 2014 |
|---|---|---|---|---|
| Freehold land, hotel buildings and equipment in Singapore | Direct Comparison Method for land and building | Price per square metre of gross floor area [(1)] | $15,025 to $15,100 | $14,798 to $15,000 |
| | Investment Method for land and building | Occupancy rate [(1)] | 75% to 87% | 81% to 83.6% |
| | | Room rate per day [(1)] | $118 to $158 | $126 to $175 |
| | | Capitalisation rate [(2)] | 4.75% | 4.75% |
| | Replacement Cost Method for building (for determining residual value of land) | Depreciated replacement cost per room [(1)] | $220,000 to $335,000 | $216,000 to $338,000 |
| Freehold land, hotel buildings and equipment in Malaysia | Direct Comparison Method for land and building | Price per square metre of gross floor area [(1)] | $1,278 | $1,390 |
| | | Price per room [(1)] | $157,920 | $181,440 |
| | Replacement Cost Method for building (for determining residual value of land) | Depreciated replacement cost per square metre [(1)] | $812 | $662 |
| Freehold land, hotel buildings and equipment in Thailand | Investment Method for land and building | Occupancy rate [(1)] | 63% | 72% |
| | | Room rate per day [(1)] | $79 | $84 |
| | | Capitalisation rate [(2)] | 7.5% - 8% | 7.5% - 9% |
| | Discounted Cash Flow Method | Terminal yield rate [(2)] | 7% - 8% | 7% - 8% |
| | | Rate for discounting cash flows to present value [(2)] | 11% | 11.25% - 12% |

(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 2015

## 15 INVESTMENT PROPERTIES

| | Freehold land $'000 | Freehold buildings $'000 | Leasehold buildings $'000 | Total $'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| Cost: | | | | |
| As at 1 January 2014 | 32,220 | 76,064 | 1,456 | 109,740 |
| Additions | - | 2,342 | - | 2,342 |
| Exchange adjustment | (85) | (435) | - | (520) |
| As at 31 December 2014 | 32,135 | 77,971 | 1,456 | 111,562 |
| Additions | - | 2,864 | - | 2,864 |
| Disposal | - | (4) | - | (4) |
| Exchange adjustment | (1,124) | (5,436) | - | (6,560) |
| As at 31 December 2015 | 31,011 | 75,395 | 1,456 | 107,862 |
| Accumulated depreciation: | | | | |
| As at 1 January 2014 | - | 12,273 | 495 | 12,768 |
| Charge for the year | - | 1,287 | 18 | 1,305 |
| Exchange adjustment | - | (106) | - | (106) |
| As at 31 December 2014 | - | 13,454 | 513 | 13,967 |
| Charge for the year | - | 1,236 | 18 | 1,254 |
| Disposal | - | (1) | - | (1) |
| Exchange adjustment | - | (1,135) | - | (1,135) |
| As at 31 December 2015 | - | 13,554 | 531 | 14,085 |
| Impairment: | | | | |
| As at 1 January 2014, 31 December 2014 and 2015 | - | 285 | - | 285 |
| Carrying amount: | | | | |
| As at 31 December 2015 | 31,011 | 61,556 | 925 | 93,492 |
| As at 31 December 2014 | 32,135 | 64,232 | 943 | 97,310 |

Certain investment properties of the Group with carrying amounts of $69.9 million (2014 : $73.5 million) are pledged as securities for the Group's bank loans (Notes 16 and 20).

The property rental income from the Group's investment properties amounted to $8.4 million (2014 : $8.5 million). Direct operating expenses (including repairs and maintenance) for the occupied investment properties and vacant properties amounted to $3.7 million (2014 : $3.8 million) and $0.7 million (2014 : $1.0 million) respectively.

**15 INVESTMENT PROPERTIES** (cont'd)

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

Estimated fair values of investment properties

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Freehold land and buildings in New Zealand | 59,193 | 62,937 |
| Freehold land and buildings in Malaysia | 26,737 | 26,173 |
| Freehold buildings in Singapore | 7,710 | 7,750 |
| Leasehold buildings in Singapore | 8,500 | 8,500 |
| Freehold land and building in Singapore | 29,322 | 29,322 |
| | 131,462 | 134,682 |

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 2015 and 2014, fair values of the Group's investment properties 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 2015 and 2014 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 [1]<br><br>Growth rate [1]<br><br>Rates to discount cash flows to present value [1] |
| 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 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.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

**15 INVESTMENT PROPERTIES** (cont'd)

| | Freehold land $'000 | Freehold buildings $'000 | Total $'000 |
|---|---|---|---|
| **The Company** | | | |
| Cost: | | | |
| As at 1 January 2014 | 15,080 | 10,248 | 25,328 |
| Additions | - | 665 | 665 |
| As at 31 December 2014 | 15,080 | 10,913 | 25,993 |
| Disposal | - | (4) | (4) |
| As at 31 December 2015 | 15,080 | 10,909 | 25,989 |
| Accumulated depreciation: | | | |
| As at 1 January 2014 | - | 799 | 799 |
| Charge for the year | - | 362 | 362 |
| As at 31 December 2014 | - | 1,161 | 1,161 |
| Charge for the year | - | 386 | 386 |
| Disposal | - | (1) | (1) |
| As at 31 December 2015 | - | 1,546 | 1,546 |
| Carrying amount: | | | |
| As at 31 December 2015 | 15,080 | 9,363 | 24,443 |
| As at 31 December 2014 | 15,080 | 9,752 | 24,832 |

**16 BANK LOANS**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Short-term bank loans (secured) | 10,921 | 16,575 | - | - |
| Long-term bank loans (secured) - current portion (Note 20) | 8,893 | 9,992 | - | - |
| | 19,814 | 26,567 | - | - |

Short term bank loans of the Group bear variable interest ranging from approximately 1.87% to 3.8% (2014 : 1.25% to 4.1%) per annum. The above bank facilities are secured on mortgages of subsidiaries' freehold land and buildings and leasehold land with aggregate carrying amounts of $564.9 million (2014 : $214.5 million).

## 17 OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Outside parties | 3,933 | 4,590 | 328 | 1,597 |
| Subsidiaries | - | - | 26,807 | 24,484 |
| Financial guarantee contract liabilities | - | - | 2,605 | 2,131 |
| | 3,933 | 4,590 | 29,740 | 28,212 |
| Less: Amount payable within 12 months (shown under current liabilities) | (3,823) | (3,922) | (2,933) | (3,728) |
| Amount payable after 12 months | 110 | 668 | 26,807 | 24,484 |

Other payables comprise mainly amounts outstanding for ongoing costs.

Amounts owing to subsidiaries are unsecured and bear interest at 1.81% (2014 : 1.36%) per annum.

## 18 FINANCE LEASE

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Amount payable under finance lease: | | | | |
| Within one year | 23 | 39 | 20 | 35 |
| In the second to fifth year inclusive | 16 | 49 | 14 | 45 |
| | 39 | 88 | 34 | 80 |
| Less: Future finance charges | (5) | (8) | NA | NA |
| Present value of lease obligations | 34 | 80 | 34 | 80 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (20) | (35) |
| Amount due for settlement after 12 months | | | 14 | 45 |

The lease terms range from 3 to 5 years. Average effective interest rate approximates 7.72% (2014 : 5.12%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into contingent rental payments.

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 2015

## 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 | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Present value of unfunded defined benefit obligations | 598 | 541 |
| Payable: | | |
| Within 1 year | 7 | 9 |
| Later than 1 year but not later than 2 years | 6 | 13 |
| Later than 2 years but not later than 5 years | 91 | 95 |
| Later than 5 years | 494 | 424 |
| | 598 | 541 |

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 2015 for subsidiaries in Malaysia and Thailand have been valued by qualified independent actuaries in January 2014 and December 2015 respectively. The January 2014 valuations have been used to project the 31 December 2015 valuations in Malaysia. 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 | |
|---|---|---|
| | 2015 | 2014 |
| | % | % |
| Discount rate | 2.75 to 5.25 | 3.0 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Bank Loans | 146,238 | 138,184 | 58,164 | 43,488 |
| Less: Amount due for settlement within 12 months (Note 16) | (8,893) | (9,992) | - | - |
| Amount due for settlement after 12 months | 137,345 | 128,192 | 58,164 | 43,488 |

During the year, the Group's and the Company's long term bank loans bear interest ranging from 1.76% to 5.13% (2014 : 1.14% to 5.83%) per annum.

The Group's and the Company's long term bank loans are secured against the freehold 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 (ASSETS) LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred tax assets | - | (104) | - | - |
| Deferred tax liabilities | 19,549 | 20,481 | 724 | 432 |
| | 19,549 | 20,377 | 724 | 432 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Movement in deferred tax balance during the year | | | | |
| Balance at beginning of year | 20,377 | 16,465 | 432 | 432 |
| Arising from acquisition of subsidiary (Note 34) | - | 3,554 | - | - |
| Arising from revaluation increase of freehold hotel land | 82 | 116 | - | - |
| Origination of temporary differences | 211 | 144 | 292 | - |
| Under (Over) provision in prior year | 38 | (46) | - | - |
| Exchange adjustment | (1,159) | 144 | - | - |
| Balance at end of year | 19,549 | 20,377 | 724 | 432 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

## 21 DEFERRED TAX (ASSETS) LIABILITIES (cont'd)

| Components of deferred tax balance | Accelerated tax depreciation | Others | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **The Group** | | | |
| At 1 January 2014 | 14,073 | 2,392 | 16,465 |
| Arising from acquisition of subsidiary (Note 34) | - | 3,554 | 3,554 |
| Arising from revaluation increase of freehold hotel land | - | 116 | 116 |
| Debit to profit or loss for the year | 153 | (55) | 98 |
| Exchange adjustment | - | 144 | 144 |
| At 31 December 2014 | 14,226 | 6,151 | 20,377 |
| Arising from revaluation increase of freehold hotel land | - | 82 | 82 |
| Debit to profit or loss for the year | 407 | (158) | 249 |
| Exchange adjustment | - | (1,159) | (1,159) |
| At 31 December 2015 | 14,633 | 4,916 | 19,549 |
| **The Company** | | | |
| At 1 January 2014 and 31 December 2014 | 432 | - | 432 |
| Debit to profit or loss for the year | 292 | - | 292 |
| At 31 December 2015 | 724 | - | 724 |

Subsidiaries have unutilised tax losses and capital allowances carryforward of approximately $31.5 million (2014 : $26.2 million) which is 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 2015, no deferred tax asset is recorded as the subsidiaries had no taxable income in 2015 and there is no reasonable assurance of the ability to utilise the tax losses in the foreseeable future. At 31 December 2014, deferred tax asset of $0.5 million had been recognised.

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 | | | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | 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 | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Room revenue | 34,427 | 34,477 |
| Food and beverage revenue | 8,616 | 8,469 |
| Spa revenue | 883 | 424 |
| Rental income from: | | |
| Investment properties | 8,394 | 8,515 |
| Premises within hotels | 2,798 | 2,788 |
| Car park revenue | 1,163 | 1,256 |
| Interest income from fixed deposits and investments | 212 | 193 |
| Dividend income from: | | |
| Quoted equity investments | 354 | 406 |
| Unquoted equity investments | 31 | 28 |
| Others | 402 | 131 |
| | 57,280 | 56,687 |

## 24 OTHER INCOME

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Net gain on disposal of available-for-sale investments | 1,282 | 232 |
| Fair value gain on held-for-trading investments | - | 110 |
| Net foreign exchange adjustment gain | 388 | 2,359 |
| Bad debt recovered | 2 | 12 |
| Write back of allowance for doubtful receivables | 343 | 712 |
| Other income | 178 | 136 |
| | 2,193 | 3,561 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

## 25 FINANCE COSTS

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Interest on bank loans | 5,124 | 3,627 |

## 26 PROFIT BEFORE INCOME TAX

Profit before income tax includes:

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Staff costs (including directors' remuneration) | 13,689 | 12,008 |
| Cost of defined contribution plans included in staff costs | 438 | 411 |
| Directors' remuneration: | | |
| Directors of the subsidiaries (key management personnel) | 649 | 309 |
| Proposed directors' fee: | | |
| Directors of the Company | 207 | 200 |
| Directors of the subsidiaries (key management personnel) | 83 | 81 |
| Audit fees paid to: | | |
| Auditors of the Company | 312 | 239 |
| Other auditors | 65 | 131 |
| Non-audit fees paid to: | | |
| Auditors of the Company | 41 | 8 |
| Other auditors | 16 | 55 |
| Depreciation of property, plant and equipment | 7,477 | 5,548 |
| Depreciation of investment properties | 1,254 | 1,305 |
| Gain on disposal of property, plant and equipment * | (2) | - |
| Impairment loss on: | | |
| Available-for-sale investments * | 317 | 145 |
| Property, plant and equipment | 829 | - |
| Goodwill * | 1,384 | - |
| Allowance for doubtful receivables * | 235 | 201 |
| Fair value loss (gain) on held-for-trading investments * | 145 | (110) |
| Net foreign exchange adjustment loss (gain) * | 1,110 | (155) |
| Bad debt written off * | 151 | 29 |

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

## 27 INCOME TAX EXPENSE

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Current tax | 2,616 | 3,066 |
| Withholding tax | 49 | 71 |
| Deferred tax | 211 | 144 |
| | 2,876 | 3,281 |
| (Over) Under provision in prior years | | |
| - current tax | (174) | (146) |
| - deferred tax | 38 | (46) |
| Total income tax expense | 2,740 | 3,089 |

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2014 : 17%) to profit before income tax as a result of the following differences:

| | The Group | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| Income tax expense at 17% rate | 958 | 2,425 |
| Difference due to foreign tax rates | (976) | 282 |
| Non-deductible items | 1,265 | 678 |
| Withholding tax | 49 | 71 |
| Effect of unused tax losses and tax offsets not recognised as deferred tax assets | 1,718 | - |
| Overprovision in prior years | (136) | (192) |
| Tax exemption and rebate | (140) | (161) |
| Other items | 2 | (14) |
| Total income tax expense | 2,740 | 3,089 |

## 28 EARNINGS PER SHARE

Basic earnings per share is calculated on the Group profit after tax of $2.893 million (2014 : $11.178 million) divided by 84,000,000 (2014 : 84,000,000) ordinary shares.

There are no dilutive potential ordinary shares and diluted earnings per share is therefore not applicable to the Group.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

## 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 a stable stream of 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

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

## 29 SEGMENT INFORMATION (cont'd)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profits represent profits earned by each segment without allocation of the finance costs and income tax expense. All assets are allocated to reportable segments except for fixed deposits and income tax recoverable. Segment liabilities represent operating liabilities attributable to each reportable segment. Bank borrowings, finance leases and tax liabilities are not allocated. Information regarding the Group's reportable segments is presented below:

### I Revenue

| | External | | Inter-segment | | Total | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Hotel operations** | | | | | | |
| Singapore | 27,558 | 29,814 | - | - | 27,558 | 29,814 |
| Malaysia | 9,024 | 12,090 | - | - | 9,024 | 12,090 |
| Thailand | 10,992 | 4,896 | - | - | 10,992 | 4,896 |
| | 47,574 | 46,800 | - | - | 47,574 | 46,800 |
| **Property investments** | | | | | | |
| Singapore | 1,693 | 1,587 | 115 | 126 | 1,808 | 1,713 |
| New Zealand | 6,538 | 6,706 | - | - | 6,538 | 6,706 |
| Malaysia | 851 | 967 | - | - | 851 | 967 |
| | 9,082 | 9,260 | 115 | 126 | 9,197 | 9,386 |
| **Financial investments** | 624 | 627 | 1,737 | 2,272 | 2,361 | 2,899 |
| **Segments total** | 57,280 | 56,687 | 1,852 | 2,398 | 59,132 | 59,085 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

**29 SEGMENT INFORMATION** (cont'd)

**II Net profit**

| | Total 2015 $'000 | Total 2014 $'000 |
|---|---|---|
| **Hotel operations** | | |
| Singapore | 8,098 | 10,497 |
| Malaysia | (2,964) | 1,226 |
| Thailand | (517) | 552 |
| | 4,617 | 12,275 |
| **Property investments** | | |
| Singapore | 1,201 | 1,109 |
| New Zealand | 3,495 | 2,998 |
| Malaysia | 276 | 884 |
| | 4,972 | 4,991 |
| **Financial investments** * | 1,168 | 628 |
| **Segments total** | 10,757 | 17,894 |
| Finance costs | (5,124) | (3,627) |
| **Profit before income tax** | 5,633 | 14,267 |
| Income tax expense | (2,740) | (3,089) |
| **Profit after income tax** | 2,893 | 11,178 |

* Inclusive of net gain on disposal of available-for-sale investments and fair value gains on held-for-trading investments recorded in 'other income' (Note 24).

## 29 SEGMENT INFORMATION (cont'd)

### III Segment assets and liabilities

| | Segment assets | | Segment liabilities | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| **Hotel operations** | | | | |
| Singapore | 451,659 | 442,152 | 4,011 | 3,132 |
| Malaysia | 52,392 | 51,700 | 1,455 | 1,058 |
| Thailand | 99,926 | 104,231 | 2,733 | 3,503 |
| | 603,977 | 598,083 | 8,199 | 7,693 |
| **Property investments** | | | | |
| Singapore | 29,475 | 30,607 | 204 | 214 |
| New Zealand | 56,319 | 61,323 | 703 | 1,273 |
| Malaysia | 14,376 | 14,375 | 325 | 757 |
| | 100,170 | 106,305 | 1,232 | 2,244 |
| **Financial investments** | 18,671 | 19,623 | 27 | 177 |
| **Segments total** | 722,818 | 724,011 | 9,458 | 10,114 |
| Unallocated items | 1,223 | 1,739 | 179,111 | 177,696 |
| **Consolidated total** | 724,041 | 725,750 | 188,569 | 187,810 |

### IV Other segment information

| | Depreciation | | Additions to non-current assets | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| **Hotel operations** | | | | |
| Singapore | 3,450 | 2,796 | 3,511 | 3,623 |
| Malaysia | 1,951 | 1,665 | 3,089 | 2,694 |
| Thailand | 2,076 | 1,087 | 4,558 | 15,890 |
| | 7,477 | 5,548 | 11,158 | 22,207 |
| **Property investments** | | | | |
| Singapore | 444 | 421 | - | 664 |
| New Zealand | 655 | 734 | 402 | 1,678 |
| Malaysia | 155 | 150 | 2,462 | - |
| | 1,254 | 1,305 | 2,864 | 2,342 |
| **Consolidated total** | 8,731 | 6,853 | 14,022 | 24,549 |

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

## 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore | 29,812 | 31,966 | 452,992 | 442,977 |
| Malaysia | 9,904 | 13,086 | 85,637 | 84,421 |
| New Zealand | 6,563 | 6,714 | 55,154 | 59,940 |
| Thailand | 11,001 | 4,921 | 94,863 | 97,398 |
| | 57,280 | 56,687 | 688,646 | 684,736 |

## 30 OPERATING LEASE ARRANGEMENTS

The Group and Company as lessor

The Group and Company rents out its office premises and shop space under operating lease to outside 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Within one year | 7,591 | 9,292 | 632 | 989 |
| In the second to fifth years inclusive | 17,903 | 21,124 | 71 | 181 |
| After fifth year | 2,083 | 4,865 | - | - |
| | 27,577 | 35,281 | 703 | 1,170 |

## 31 CONTINGENT LIABILITIES

(a) Guarantees given

The Company and a subsidiary provided guarantees amounting to $4.97 million (NZ$4.78 million) to banks for banking facilities granted to another subsidiary which are secured as disclosed in Note 20.

The Company is a guarantor for banking facilities totaling $111.7 million (2014 : $117.7 million) obtained by subsidiaries. The fair values of the financial guarantee is about $2.6 million (2014 : $3.5 million). The maximum amount that the Company could be obliged to settle in the event that the guarantees are called upon is $87.2 million (2014 : $91.3 million) based on facilities used by the subsidiaries at the end of the year.

## 31 CONTINGENT LIABILITIES (cont'd)

(b) Legal claims - 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 had dismissed DRHM's claim in its entirety and also ordered DRHM to pay costs of RM50,000. DRHM has filed a notice of appeal against the decision of the Penang High Court. The management believes that DRHM's appeal are baseless and without merit. The Company intends to vigorously defend the claims.

## 32 CAPITAL EXPENDITURE COMMITMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 |
| Estimated amounts committed for future capital expenditure but not provided for in the financial statements | 4,348 | 9,878 | 1,700 | 4,000 |

## 33 DIVIDENDS

In 2014, 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 2013.

In 2015, 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 2014.

Subsequent to 31 December 2015, 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.

## 34 ACQUISITION OF SUBSIDIARY

(i) Acquisition within 2015

On 9 January 2015, a newly incorporated subsidiary, Baba Residences Sdn. Bhd., a company incorporated in Malaysia entered into a Sale and Purchase Agreement to acquire The Baba House and its business ("The Baba House") from a third party, for a total cash consideration of RM26.1 million equivalent to approximately $9.9 million.

Details of the consideration paid, assets acquired, liabilities assumed and the effects on the cash flow of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

| | 2015 |
|---|---|
| | $'000 |
| Cash consideration paid for the acquisition, excluding expenses | 9,943 |

Acquisition-related expenses amounting to $0.34 million (RM0.89 million) are included in "other operating expenses" in the statement of profit or loss.

# NOTES TO FINANCIAL STATEMENTS (cont'd)

31 December 2015

**34 ACQUISITION OF SUBSIDIARY** (cont'd)

(i) Acquisition within 2015 (cont'd)

(b) The net identifiable assets acquired in the transactions are as follows:

| | 2015 |
|---|---|
| | $'000 |
| Freehold Land | 4,398 |
| Leasehold Land | 859 |
| Building | 3,124 |
| Property, plant and equipment | 63 |
| Total consideration | 8,444 |
| Goodwill arising from acquisition of business (Note 13) | 1,499 |
| Total consideration, satisfied by cash, representing net cash outflow on acquisition of The Baba House | 9,943 |

(c) Impact on acquisition on the results of the Group

The acquired business contributed $0.3 million of revenue and $0.7 million loss to the Group for the period in January 2015 between the date of acquisition in January 2015 and the end of the reporting period.

(Ii) Acquisition within 2014

The Group's wholly-owned subsidiary, Hotel Royal (Thailand) Private Limited and the newly incorporated subsidiary, Excellent Hotel (Thailand) Company Limited, entered into two Sale and Purchase Agreements to acquire the entire share capital of Panali Co., Ltd ("Panali") together with Burasari Resort in Phuket and its business from third parties. Panali owns the Burasari Resort. This acquisition has been completed on 2 July 2014.

Details of the consideration paid, assets acquired, liabilities assumed and the effects on the cash flow of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

| | 2014 |
|---|---|
| | $'000 |
| Cash consideration paid for the acquisition, excluding expenses | 35,126 |

Acquisition-related expenses amounting to $0.6 million (THB 14.3 million) are included in "other operating expenses" in the statement of profit or loss.

## 34 ACQUISITION OF SUBSIDIARY (cont'd)

(Ii) Acquisition within 2014 (cont'd)

(b) Assets acquired and liabilities assumed at the date of acquisition of Panali:

| | Acquiree's book amount at date of acquisition | Fair value adjustment | Fair Value |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Cash and bank balances | 80 | - | 80 |
| Trade receivables | 243 | - | 243 |
| Other receivables | 144 | - | 144 |
| Inventories | 290 | - | 290 |
| Property, plant and equipment | 17,953 | 33,347 | 51,300 |
| Bank loans and overdrafts | (888) | - | (888) |
| Trade payables | (350) | - | (350) |
| Short term loans from related parties | (1,444) | - | (1,444) |
| Other current payables | (291) | - | (291) |
| Loan penalty and interest | (387) | - | (387) |
| Deferred tax liabilities | - | (3,554) | (3,554) |
| Long-term bank loans | (11,468) | - | (11,468) |
| Other non-current liabilities | (149) | - | (149) |
| Retirement benefit obligation | (23) | - | (23) |
| Goodwill (Note 13) | 1,623 | - | 1,623 |
| Fair value of net assets acquired/ purchase consideration paid in cash | | | 35,126 |
| Cash and cash equivalents of Panali | | | (80) |
| Net cash outflow on acquisition of Panali | | | 35,046 |

Goodwill representing excess of consideration paid over identifiable net assets is expected to be recoverable from future net cash inflows from the hotel operations.

(c) Impact on acquisition on the results of the Group
The consolidated result of the Group include post acquisition revenue of $4.6 million and profit after tax of $0.6 million contributed by Panali from July to December 2014.

Had the acquisition of Panali been effected at 1 January 2014, the 2014 revenue of the Group from continuing operation would have been $61.4 million, and the profit for 2014 from continuous operation would have been $11.5 million.

# STATISTICS OF SHAREHOLDINGS

As at 30 March 2016

| | | |
|---|---|---|
| Issued and fully paid-up capital | : | $100,729,496.00** |
| No. of shares issued | : | 84,000,000 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | 1 vote per share |
| No. of treasury shares | : | 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 $100,438,356 due to certain share issue expenses.

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES | % OF SHARES |
|---|---|---|---|---|
| 1 - 99 | 66 | 5.15 | 497 | 0.00 |
| 100 - 1,000 | 256 | 19.99 | 104,604 | 0.12 |
| 1,001 - 10,000 | 685 | 53.47 | 2,999,313 | 3.57 |
| 10,001 - 1,000,000 | 260 | 20.30 | 18,055,355 | 21.50 |
| 1,000,001 AND ABOVE | 14 | 1.09 | 62,840,231 | 74.81 |
| **TOTAL** | **1,281** | **100.00** | **84,000,000** | **100.00** |

Based on the information provided and to the best knowledge of the Directors, approximately 24.42% of the issued ordinary shares of the Company is held in the hands of the public as at 30 March 2016 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

**TOP TWENTY SHAREHOLDERS AS AT 30 MARCH 2016**

| NAME OF SHAREHOLDERS | NO. OF SHARES | % OF SHARES |
|---|---|---|
| The Great Eastern Life Assurance Co Ltd - Participating Fund | 9,307,012 | 11.08 |
| Oversea-Chinese Bank Nominees Pte Ltd | 8,859,500 | 10.55 |
| Aik Siew Tong Ltd | 8,246,000 | 9.82 |
| Asia Building Berhad | 6,875,400 | 8.19 |
| Hock Tart Pte Ltd | 6,048,000 | 7.20 |
| Melodies Limited | 4,480,000 | 5.33 |
| United Overseas Bank Nominees Pte Ltd | 3,597,119 | 4.28 |
| The Singapore-Johore Express Pte Ltd | 3,574,200 | 4.26 |
| Maybank Nominees (S) Pte Ltd | 3,360,000 | 4.00 |
| SIB Nominees Pte. Ltd. | 3,360,000 | 4.00 |
| Lee Chin Chuan | 1,408,400 | 1.68 |
| Chan Tai Moy | 1,377,600 | 1.64 |
| Hong Leong Finance Nominees Pte Ltd | 1,192,000 | 1.42 |
| Chip Keng Holding Berhad | 1,155,000 | 1.38 |
| Mellford Pte Ltd | 981,000 | 1.17 |
| The Great Eastern Trust Private Limited | 741,066 | 0.88 |
| Wee Aik Koon Pte Ltd | 689,460 | 0.82 |
| Morph Investments Ltd | 635,000 | 0.76 |
| Season Holdings Pte Ltd | 600,800 | 0.72 |
| Bank of Singapore Nominees Pte Ltd | 567,000 | 0.68 |
| | 67,054,557 | 79.86 |

# STATISTICS OF SHAREHOLDINGS

As at 30 March 2016

SUBSTANTIAL SHAREHOLDERS as at 30 March 2016 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 | 9,422,000 | 11.22 |
| Lee Chou Tart[2] | - | - | 9,408,000 | 11.20 |
| Aik Siew Tong Ltd[3] | 8,246,000 | 9.82 | 23,594,200 | 28.09 |
| Hock Tart Pte Ltd[4] | 6,048,000 | 7.20 | 23,646,000 | 28.15 |
| The Great Eastern Life Assurance Co Ltd[5] | 9,310,372 | 11.08 | - | - |
| Great Eastern Holdings Limited[5] | - | - | 10,054,798 | 11.97 |
| Oversea-Chinese Banking Corporation Limited[6] | - | - | 10,054,798 | 11.97 |
| Asia Building Bhd[7] | 6,875,400 | 8.19 | 1,155,000 | 1.38 |
| Melodies Limited[3] | 4,480,000 | 5.33 | 3,500,000 | 4.12 |
| **Other Shareholders** | | | | |
| The Singapore-Johore Express (Private) Limited[3] | 3,574,200 | 4.26 | - | - |
| Chip Keng Holding Bhd[7] | 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.

(2) 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 7,980,000 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 10,054,798 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 and 3,360 shares registered in the name of United Overseas Bank Nominees Pte Ltd.

(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 47th Annual General Meeting of Hotel Royal Limited will be held at the Hotel Royal @ Queens, Queen's Room, Level 3, 12 Queen Street, Singapore 188553 on Saturday, 30 April 2016 at 10.00 a.m. for the following purposes:-

**Ordinary Business**

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015 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 2015. (FY2014: 5 cents per ordinary share) **(Resolution 2)**

3. To approve the sum of $207,300 as Directors' Fees for the financial year ended 31 December 2015. (FY2014: $200,000) **(Resolution 3)**

4. To re-elect Mr Lee Kin Hong who is retiring in accordance with Article 117 of the Company's Articles of Association and who, being eligible, offers himself for re-election, as Director of the Company. **(Resolution 4)**

5. To re-appoint Dr Lee Keng Thon as Director of the Company. **(Resolution 5)**

   (Note: Dr Lee Keng Thon will, upon re-appointment as Director of the Company, remain as Group Chairman of the Company. Dr Lee Keng Thon is a Non-Executive Director. Detailed information on Dr Lee Keng Thon can be found under the "Board of Directors" and "Corporate Governance Report" section in the Company's Annual Report.) **(See Explanatory Note (a))**

6. To re-appoint COL (Ret) Rodney How Seen Shing as Director of the Company. **(Resolution 6)**

   (Note: COL (Ret) Rodney How Seen Shing will, upon re-appointment as Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Risk Committee and Remuneration Committee and will be considered independent. Detailed information on COL (Ret) Rodney How Seen Shing can be found under the "Board of Directors" section in the Company's Annual Report. There are no relationships (including immediate family relationships) between COL (Ret) Rodney How Seen Shing and the other directors, the Company and its ten per cent (10%) shareholders.) **(See Explanatory Note (a))**

7. To re-appoint Professor Pang Eng Fong as Director of the Company. **(Resolution 7)**

   (Note: Professor Pang Eng Fong will, upon re-appointment as Director of the Company, remain as the Chairman of the Audit and Risk Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent. Detailed information on Professor Pang Eng Fong can be found under the "Board of Directors" section in the Company's Annual Report. There are no relationships (including immediate family relationships) between Professor Pang Eng Fong and the other directors, the Company and its ten per cent (10%) shareholders.) **(See Explanatory Note (a))**

8. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

**Special Business**

To consider and, if thought fit, to pass the following resolutions, with or without amendments, as Ordinary Resolutions:

9. **Authority to Issue Shares**

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

(a) (i) allot and issue shares in the capital of the Company ("Shares") (whether by way of rights, bonus or otherwise); and/or

(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 warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force):

(i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the Directors while this Resolution was in force; and

(ii) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force or such additional Instruments in (b)(i) above,

provided that:

(1) 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% of the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 5% of the Company's total number of issued Shares (excluding treasury shares, if any) (as calculated in accordance with sub-paragraph (2) below); and

(2) (subject to such manner of calculation 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 (1) above, the total number of issued Shares (excluding treasury shares, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (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 (b))** **(Resolution 9)**

10. **Renewal of Share Purchase Mandate**

"That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued Shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of the Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the section entitled "Definitions" set out on Page 4 of the Circular dated 9 April 2009 to the Shareholders of the Company and in accordance with the "Guidelines on Share Purchases" set out in Appendix I of the said Circular and this mandate shall, unless revoked or varied by the Company in general meeting, 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 earlier."

**(See Explanatory Note (c))** **(Resolution 10)**

**Any Other Business**

11. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Sin Chee Mei
Company Secretary

Singapore,
14 April 2016

**Explanatory Notes:-**

(a) Dr Lee Keng Thon, COL (Ret) Rodney How Seen Shing and Professor Pang Eng Fong who are over the age of 70 were re-appointed as Directors to hold office from the date of the last Annual General Meeting (held on 25 April 2015) until this Annual General Meeting pursuant to Section 153(6) of the Act. Section 153(6) of the Act was repealed when the Companies (Amendment) Act 2014 came into effect on 3 January 2016. As their appointment lapses at this Annual General Meeting, Dr Lee Keng Thon, COL (Ret) Rodney How Seen Shing and Professor Pang Eng Fong will have to be re-appointed to continue in office. Upon their re-appointment at the conclusion of this Annual General Meeting, going forward, their re-appointment will no longer be subject to shareholders' approval under Section 153(6) of the Act as repealed. Dr Lee Keng Thon, COL (Ret) Rodney How Seen Shing and Professor Pang Eng Fong will then be subject to retirement by rotation under the Company's Articles of Association.

(b) The Ordinary Resolution 9, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting, to issue Shares and convertible securities in the Company. The number of Shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed 50% of the total number of issued Shares (excluding treasury shares) of the Company at the time of the passing of this Resolution. For issue of Shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed 5% of the total number of issued Shares (excluding treasury shares) of the Company.

(c) The Ordinary Resolution 10, if passed, will renew the Share Purchase Mandate and will authorise the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the Resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015 are set out in greater detail in the Appendix enclosed together with the Annual Report. The authority will expire at the next Annual General Meeting of the Company, unless previously revoked or waived at a general meeting.

**NOTES:**

1. A member (other than a Relevant Intermediary) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company.

2. A member who is a Relevant Intermediary entitled to attend and vote at the Annual General Meeting 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.

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

"**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. The instrument appointing a proxy shall, in the case of an individual, be signed by the appointor or his attorney, and in case of a corporation, shall be either under the Common Seal or signed by its attorney or an officer on behalf of the corporation.

4. 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)

IMPORTANT
1. For investors who have used their CPF monies to buy shares of Hotel Royal Limited, the Annual Report 2015 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. 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.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

## ANNUAL GENERAL MEETING
## PROXY FORM

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 47th Annual General Meeting ("AGM") of the Company, to be held at the Hotel Royal @ Queens, Queen's Room, Level 3, 12 Queen Street, Singapore 188553 on Saturday, 30 April 2016 at 10.00 a.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 2015 | | |
| 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 Dr Lee Keng Thon as Director | | |
| 6. | Re-appointment of COL (Ret) Rodney How Seen Shing as Director | | |
| 7. | Re-appointment of Professor Pang Eng Fong as Director | | |
| 8. | Re-appointment of Auditors and fixing their remuneration | | |
| 9. | Authority to Issue Shares | | |
| 10. | Renewal of Share Purchase Mandate | | |

* 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 ____________________ 2016

| Total Number of Shares in : | No. of shares |
|---|---|
| (a) Depository Register | |
| (b) Register of Members | |

______________________________
Signature(s) of Member(s)/
Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

## NOTES

1. A member of the Company (other than a Relevant Intermediary) entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

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. 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.

4. 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.

5. 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.

6. 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 Common Seal or under the hand of its attorney or a duly authorised officer.

7. 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.

8. 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.

9. 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 14 April 2016.

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