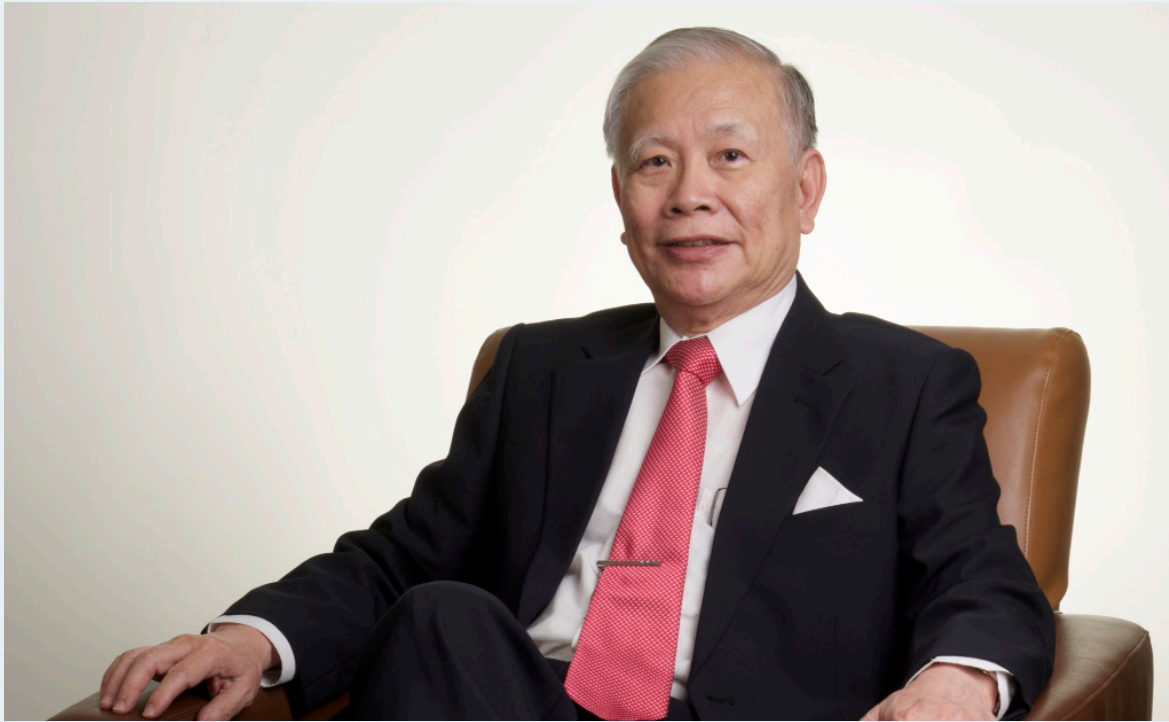




FOREWORD BY THE CHAIRMAN



Dear Shareholders,

At Hotel Royal, we believe that the Group's success is not only appraised through its financial performance, but also through the value that we create for our stakeholders, particularly in how we manage our hospitality business sustainably, and in the way we treat our operating environment and community at large. We truly believe that our business interests must be aligned with socio-environmental priorities in order to build lasting enterprises for future generations.

It is with this in mind that we submit our full Sustainability Report for FY2017, which seeks to comply with the guidelines of the SGX-ST Listing Rule 711A. Based on the Materiality Matrix that identifies and expounds on the strategic priorities of Management and our stakeholders, this Report takes into account the feedback that we continue to receive from our engagement with our stakeholders, and as we encounter new challenges in the business environment.

The Board, through Hotel Royal's management committee, oversees sustainability within the Group, including the integration of key elements of sustainability management into the Group's strategy, risk governance, daily operations and reporting. We hope that our sustainability initiatives will lead to increased value creation in the years to come, and that our shareholders and investors will find this Report useful.

DR LEE KENG THON
Chairman

31 August 2018

ABOUT THIS REPORT

ORGANISATIONAL STRUCTURE

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

CONTENTS OF THE REPORT

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

HOTEL ROYAL'S SUSTAINABILITY POLICY

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

We have also established a whistle-blowing mechanism to aid in the reporting of corporate misconducts, if any. We do not engage in child labour or take unethical means, directly or indirectly,

to provide business services in our day-to-day operations. By "indirectly", we are saying that we do not engage in business with partners, suppliers or third party manufacturers that are known to use unethical means in their business processes.

2. Health, Safety And The Environment

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

Please refer to the section on Corporate Social Responsibility on Page 36 of our FY2017 Annual Report.

3. Employees

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

Please refer to the People Report on Pages 38 – 41 of our FY2017 Annual Report.

4. Community

We believe in giving back to the society through supporting various charitable initiatives and community projects. Please refer to the section on Corporate Social Responsibility on Page 36 of our FY2017 Annual Report.

STATEMENT OF ASSURANCE

It should be pointed out that while the financial statements in the Report are audited by independent auditors, we rely on our internal process to verify the accuracy of the ESG performance data and information presented in this Report.

AVAILABILITY

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

OUR STAKEHOLDERS

| STAKEHOLDERS | HOTEL ROYAL'S COMMITMENT | ENGAGEMENT METHOD | FREQUENCY |
|--------------|---|---|----------------------------------|
| INVESTORS | Maximise shareholder value through our corporate strategies and business fundamentals | <ul style="list-style-type: none"> • Annual General Meeting • IR Website • Emails | Annually/ Throughout the year |
| CUSTOMERS | Maximise customer satisfaction through delivering quality service and products | <ul style="list-style-type: none"> • Ongoing operations • Collaterals • Guest feedback channels • Website | Ongoing |
| EMPLOYEES | Maximise the full potential of our people resources through continual employee development and training | <ul style="list-style-type: none"> • Induction programmes for new employees • Staff training and development • Regular emails and meetings • Recreational and wellness activities • Employee feedback channels • Appraisals | Throughout the year |
| 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 | <ul style="list-style-type: none"> • Regular meetings, including new policies and practices • Conferences and forums | Throughout the year |
| COMMUNITY | Minimise environmental impact and contribute to the communities where we operate in | <ul style="list-style-type: none"> • Outreach programmes • Sponsorship of events | Annually/ Throughout the year |

MATERIALITY MATRIX

The Materiality Matrix maps out the significant ESG and economic factors that impact our business, as well as insights gained from stakeholder engagements. It helps us to focus our efforts in paying attention to the values that are critical to the success of our business as well as the priorities of various stakeholders. It is reviewed regularly, taking into account the feedback that we receive from our engagement with a wide variety of stakeholders, broader sustainability trends and the issues facing the hospitality industry.

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

MANAGING SUSTAINABILITY - IDENTIFICATION OF KEY SUSTAINABILITY ISSUES

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



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

CUSTOMER SATISFACTION, RETENTION & SERVICE QUALITY

The ability to retain existing customers and the ability to attract new customers are absolutely mission critical to business sustainability. At Hotel Royal, we prioritise our strong relationships with our guests and customers by continually striving to improve our service standards and product quality, and making our guests feel completely at home. Every year, we aim to achieve a minimum score of 80% in our Customer Satisfaction Surveys and a minimum of 12 compliments for every complaint received. Our senior management teams are fully committed to reading every feedback form submitted by our guests and will take the necessary follow-up action.

EMPLOYEE RELATIONS

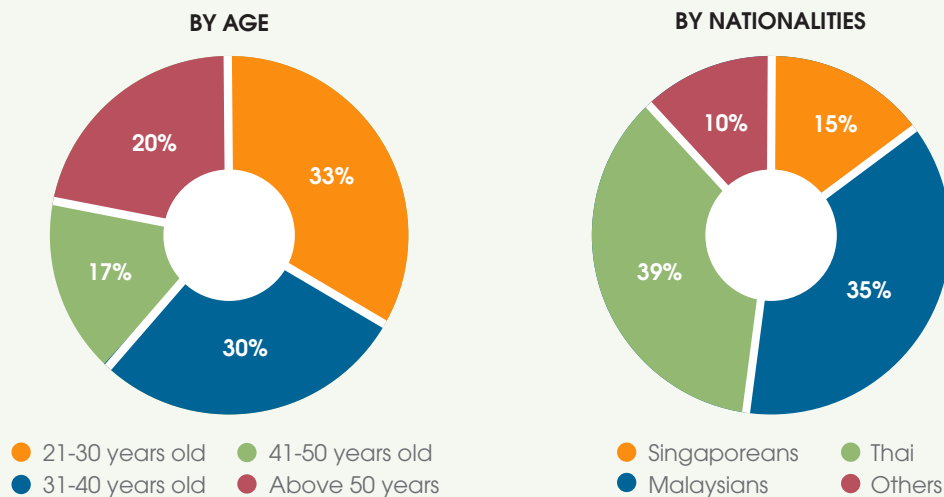
Operating in a service-oriented industry such as our hospitality business, having committed employees to deliver our service promise is absolutely crucial.

Across our operations in Singapore, Malaysia and Thailand, the Group has a total 815 employees as at 31 December 2017 (2016: 772 employees) delivering quality service to our guests and customers. With our established policies and procedures, coupled with a structured staff development programme, we continually ensure that our staff are motivated and incentivized to fulfill our brand promise.

We continued to maintain a healthy balance in the gender diversity amongst our employees.

| | 2017 | 2016 |
|---------------------------------|------------|------------|
| Men | 97 (43%) | 121 (54%) |
| Women | 129 (57%) | 102 (46%) |
| Total staff in Singapore | 226 | 223 |

GROUP EMPLOYEE PROFILE



Our employees are the Group's brand personified, and we place a high priority in equipping them to deliver quality service from day to day, focusing on service deliverables such as projecting distinctive service posture, well-appointed rooms, competitive room rates, as well as security and safety standards.

Our vision is to be the preferred hospitality group for the mid-market leisure and corporate travel segment, and our performance is often measured against the best in class, particularly since we are one of the few hotel management companies that hold the ISO, Singapore Quality Class Star (SQC Star) and Singapore Service Class certifications.

| | 2017 | 2016 | Change (%) |
|-------------------------------------|-------|-------|------------|
| Total training hours | 1,774 | 2,372 | (25.2) |
| Average training hours per employee | 7.9 | 10.6 | (25.5) |

At our Singapore hotels, the total number of hours spent on staff training declined by 25.2% to 1,774 hours in 2017 and average training hours per staff similarly dipped by 25.5% to 7.9 hours due to a tighter workforce. However, more time was spent guiding our service providers on the job.

Our training objectives are to instill in our staff the four service deliverables – namely, customer service, attitude, recognition, and efficiency – inspired by our service credo, "We CARE". It is our hope that as we train our staff to achieve optimal level of performance, thereby creating a culture that is in line with our service credo.

WORKPLACE SAFETY

| | 2017 | 2016 |
|-------------------------|------|------|
| Workplace injury rate | 0 | 0 |
| Accident frequency rate | 0 | 0 |
| Accident severity rate | 0 | 0 |

Protecting the health and safety of our employees is a key priority at Hotel Royal. We seek to emphasise the importance of health and safety in the workplace and instill a culture of responsible, safe work practices that are in line with the Government's regulations.

In each of our hotels, there are workplace safety and health (WSH) committees that recommend, monitor and review safety procedures while identifying and red-flagging potential risks. Ensuring that our practices are in line with the best practices of the industry, each of these committees has put in place reporting procedures for all accidents and injuries at the workplace.

In addition, we send our staff for training in workplace safety and first aid in the event of a medical emergency. In addition, they are also trained in handling fire hazards at the work place, and participate regularly in fire drills and evacuation exercises.

During the year in review, no incidents from our hotels were reported.



BUSINESS CONTINUITY & RISK MANAGEMENT

Recognising that material ESG issues are also key to the Group's sustainable growth, Hotel Royal upholds a robust risk and control framework that is designed to provide reasonable assurance that our strategic business decisions continue to enhance stakeholder value, while complying with the necessary legal and regulatory requirements.

In order to respond resiliently to changing market conditions, it is important for the Group to take a proactive and structured approach to identifying and managing our risk profiles in order to support the Group's strategic performance. Such risks include those pertaining to the overall market, credit, operations, legal and finance.

Over the years, we have successfully infused the strict discipline of strategic risk management, which also includes material ESG issues, into all of our decision-making processes. ESG issues are in fact strategic risks that may be near or longer-term in nature. In identifying these material issues, the Group seeks to ensure that pertinent implications of legislative and regulatory changes as well as socio-economic and reputational drivers are effectively and efficiently managed. As a group, Hotel Royal will proactively seek to integrate sustainability considerations into its businesses, mitigate risks and continuously improve business operations to deliver stakeholder value.

For more detailed discussions of our Risk Management initiatives, please refer to pages 74 to 75 of our FY2017 Annual Report.

CORPORATE GOVERNANCE

Listed on the Main Board of the Singapore Exchange since 1963, the Group is unwaveringly committed to the best practices of corporate governance for its long-term sustainability.

Driven by our strong sense of creating value and corporate transparency, the Group believes in developing sound, consistent policies and practices by complying with the letter and the spirit of Singapore's Code of Corporate Governance.

Please refer to pages 49 to 73 of our FY2017 Annual Report for details of our Corporate Governance practices.

COMMUNITY ENGAGEMENT

| | 2017 | 2016 | Change (%) |
|-----------------------------|--------|--------|------------|
| Community investments (S\$) | 99,235 | 70,000 | 41.8 |

We believe that as a 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.

After all, reaching out to the community is at the very core of our corporate social responsibility, and an extension of Hotel Royal's culture of making Every Room A Home. Every year, we, together with our employees, contribute funds and time to support various meaningful causes.

In 2017, the Group's Singapore hotels further increased its contributions to the community by nearly 42% to S\$99,235 through donations and sponsorship of room nights to various arts groups.



ENVIRONMENT MANAGEMENT

| | 2017 | 2016 | Change (%) |
|---|---------|---------|------------|
| Energy usage (GJ) | 27,914 | 28,718 | (2.8) |
| Carbon footprint (tonnes CO ₂ e) | 4,504 | 4,634 | (2.8) |
| Water usage (cubic metres) | 131,589 | 132,939 | (1.0) |
| Hazardous and non-hazardous waste (tonnes) | 1,193 | 1,115 | 7.0 |

The Group supports Singapore's reaffirmation of its commitment to the Paris Agreement and its pledge to reduce the intensity of emissions and to stabilize emissions. In particular, its aim to reduce emissions intensity by 36%, from the levels recorded in 2005 by 2030, and to stabilise its emissions by 2030.

Our environment initiatives are focused on minimizing the material environmental impact of our operations, which include energy, water and waste. We also actively engage staff and customers to champion and address some of the environmental impacts together.

During the year in review, we introduced a number of initiatives such as installing energy saving and sensor-activated LED lightings in guest rooms and common areas, as well as adjusting the water flow in our guest rooms. This resulted in a 2.8% decrease in energy usage, and a 1.0% dip in water consumption, while our carbon footprint declined by 2.8%. Hazardous and non-hazardous wastes rose 7.0% due to the higher occupancy rate of our hotels, and higher volume of recycled items from guest rooms being disposed together with food wastes from our F&B outlets. Moving ahead, we plan to engage a new waste disposal company to improve the recycling programme in our hotels. Since June 2018, we have also embarked on a campaign to educate our guests and staff to "Love food, not waste", and are pleased to see encouraging initial results.

Our previous efforts, such as tapping solar energy to generate hot water, and installing environmentally friendly VRV air-conditioning systems, continued to reap benefits to the Group. Every little act goes a long way, even the simple acts of switching off lights during the lunch period, and collecting rainwater to water the plants and wash common areas. In 2016, Hotel Royal Singapore installed dispensers for hot, warm and cold water on all floors, and ceased distributing bottled drinking water to the guest rooms. In addition, Hotel Royal Singapore has joined Hotel Royal @ Queens as a smoke-free hotel - all guest rooms and suites have been designated as no smoking zones.

INNOVATION

As an established hospitality group headquartered in Singapore, we strive to think out of the box to improve our operations so as to reduce impact to the environment, improve service to our guests and to bring about efficiency to our operations. Being innovative does not only mean inventing - it is also about making improvements to our business processes, enhancing our products and services, and making productivity gains to increase efficiency and profitability.

Such is our priority - to incubate a culture of innovation amongst our staff across the Group. We are pleased that during the year in review, we introduced a number of service improvements, such as using Whatsapp chat groups to coordinate upgrading projects, track daily room reservation status, and reporting repairs and maintenance matters. Most of our other initiatives are in the area of saving energy at our properties - such as installing energy saving and sensor-activated lightings in common areas, sensor-activated taps and toilet equipment.





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